Ministry of Sustainable Resource Development

Annual Report 2004-2005

Alberta

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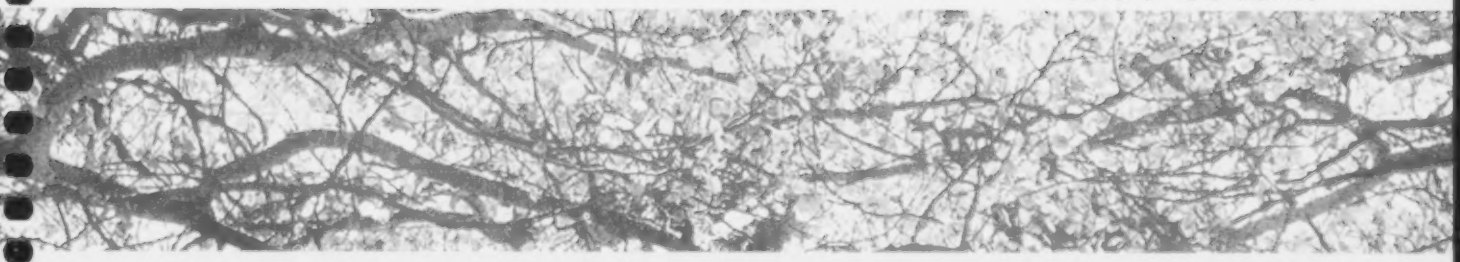

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The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act and the Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2005 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the Measuring Up report.

This annual report of the Ministry of Sustainable Resource Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Ministry of Sustainable Resource Development, regulated funds and provincial agencies for which the Minister is responsible and**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2005, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 12, 2005 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

David Coutts
Minister of Sustainable Resource Development

Minister's Message

I am pleased to provide the 2004-05 Sustainable Resource Development annual report - which tells the story of a Ministry committed to carefully managing Alberta's public lands, forests, fish and wildlife resources and to protecting our forests from wildfire, insects and disease.

Ministry staff have been innovative in managing for a wide variety of uses, in light of the many challenges that have come with population growth, landscape pressures and natural events. In all our work, we balance the economic, environmental and social values of Albertans.

Our extensive outreach efforts educated Albertans about the wise use of our land and resources, through initiatives such as the Respect the Land program, the Ghost-Waiparous consultation on access management and the extensive interpretive wetland at Calgary's Pearce Estate Park.

Our staff were on the ground in Alberta's forests, battling over 1,600 wildfires, teaching communities to protect themselves from wildfire and taking aggressive action against the destructive mountain pine beetle. Wise management of our fish and wildlife resources included a well-managed hunting and fishing season, continued conservation and disease prevention, while ensuring careful enforcement and monitoring. The department also worked closely with its partners to represent Alberta's interests in the softwood lumber dispute. We met the growing need for industrial dispositions and public rangeland grazing opportunities.

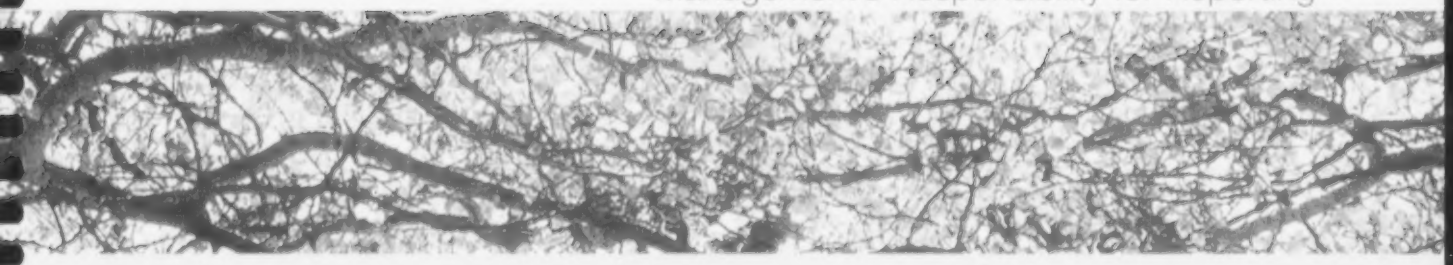
The Natural Resources Conservation Board handled a high volume of activity, particularly in administering the *Agricultural Operation Practices Act*. The Surface Rights Board and the Land Compensation Board continued to work with many landowners and operators.

While we continue to innovate to meet the many challenges on our landscape, the department is committed to a land-use framework that focuses on a sustainable future for Albertans. Our goal is to see this land, which has given us so much in the past, remain a source of prosperity and great environmental diversity for our future generations.

I invite you to read more about the Ministry's efforts to ensure that Albertans benefit from the province's renewable resources and public lands.

David Coutts
Minister of Sustainable Resource Development

Management's Responsibility for Reporting



The Ministry of Sustainable Resource Development includes the:

Department of Sustainable Resource Development,

Natural Resources Conservation Board,

Surface Rights and Land Compensation Boards, and

Environmental Protection and Enhancement Fund.

The executives of the individual organizations within the Ministry have the primary responsibility and accountability for their respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Sustainable Resource Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,

- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Sustainable Resource Development with any information needed to fulfill their responsibilities and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Brad Pickering, Deputy Minister
September 12, 2005

Ministry Entities

The Ministry of Sustainable Resource Development is composed of the department of Sustainable Resource Development (SRD), the Natural Resources Conservation Board (NRCB), the Surface Rights Board(SRB), the Land Compensation Board (LCB) and the Environmental Protection and Enhancement Fund (EPEF).

The Department

The department's core businesses are delivered through four line divisions: Forest Protection, Fish and Wildlife, Public Lands and Forests, and Strategic Forestry Initiatives. The divisions are supported by Strategic Corporate Services, Communications, Policy and Planning, and Human Resources.

Forest Protection Division	Assistant Deputy Minister	(780) 427-3542
Fish and Wildlife Division	Assistant Deputy Minister	(780) 427-6749
Public Lands and Forests Division	Assistant Deputy Minister	(780) 422-4415
Strategic Forestry Initiatives Division	Assistant Deputy Minister	(780) 427-6557
Strategic Corporate Services	Assistant Deputy Minister/ Senior Financial Officer	(780) 422-8600
Communications	Director	(780) 427-8636
Policy and Planning	Executive Director	(780) 427-3802
Human Resources	Director	(780) 422-5779

The Boards

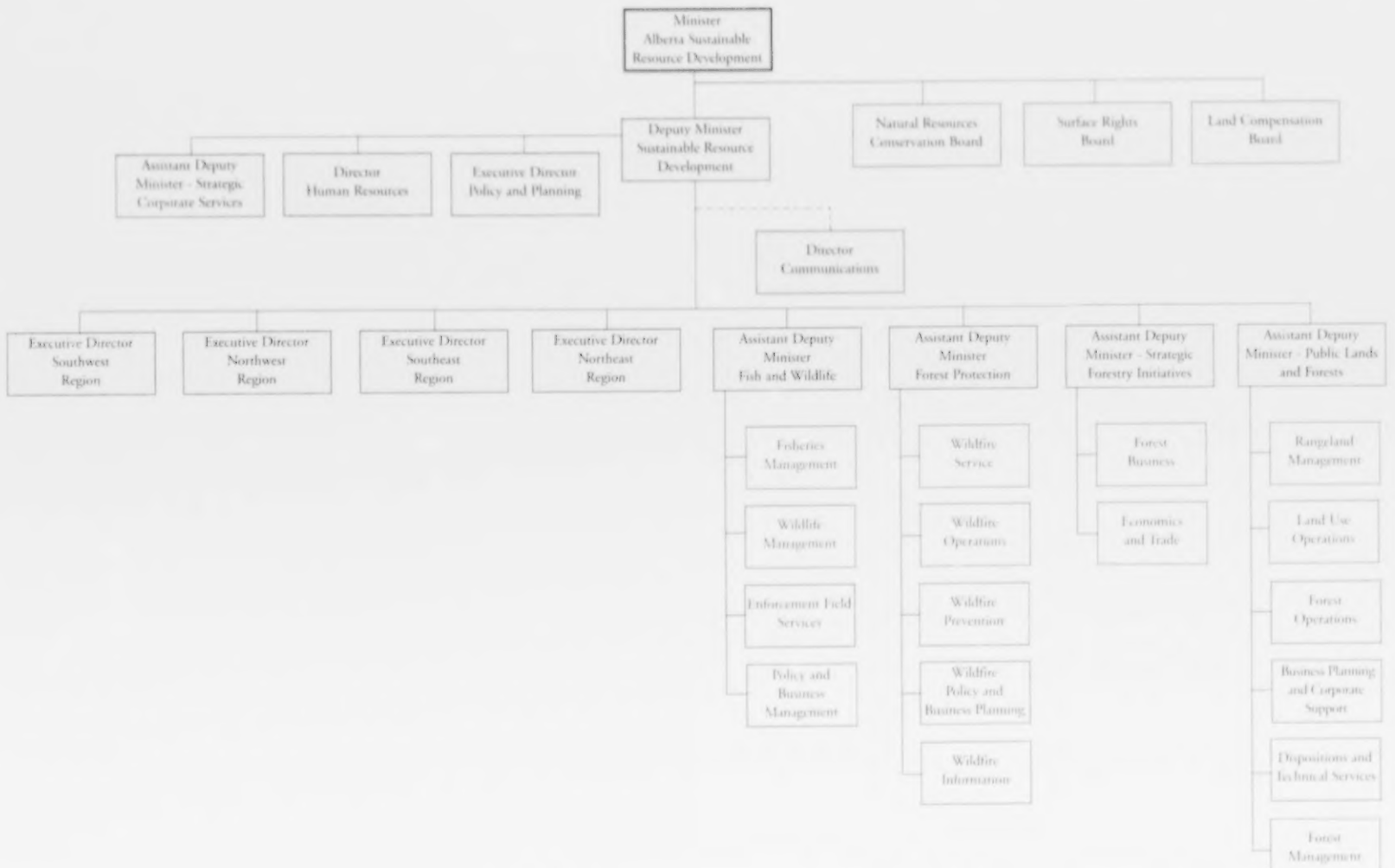
Natural Resources Conservation Board
Key contact: Brady Whittaker - Chair (780) 422-1977

Surface Rights Board
Key contact: Stan Schumacher - Chair (780) 427-6202

Land Compensation Board
Key contact: Stan Schumacher - Chair (780) 427-6202

The Environmental Protection and Enhancement Fund
Key contact: Stew Churlish - Senior Financial Officer (780) 422-8600

Figure 1
Organizational Chart for the Ministry of Sustainable Resource Development



An Operational Overview

The Ministry of Sustainable Resource Development achieves its mission through the work of four core businesses:

1. Wildfire Management
2. Natural Resource and Public Land Management
3. Natural Resources Conservation Board
4. Surface Rights and Land Compensation Management

The department delivers two core businesses:

Wildfire Management

Wildfire Management protects the multiple values received from forests within the Forest Protection Area of the province by:

- working co-operatively with municipalities, industry and other stakeholders to prevent and suppress wildfires;
- supporting outreach programs that promote responsible forest management; and
- using the best science and technology available to prevent and suppress wildfires.

Natural Resource and Public Land Management

Natural Resource and Public Land Management ensures natural resources and public lands are developed and managed in a sustainable manner by:

- managing Alberta's public forests and forest lands in a manner that supports opportunities to sustain or enhance forest productivity, respects other non-timber values from forested landscapes, and ensures Albertans receive an economic return from the province's forests;
- managing and using wild species in a manner that maximizes the environmental, social and economic benefits that Albertans receive from these resources while ensuring they are sustained for future generations;
- allocating and managing public rangeland resources to maximize their multiple uses while ensuring the rangeland remains healthy for the future;
- striving to balance the environmental, economic and social values of Albertans within the context of sound resource management decision-making through consultation with other departments, agencies, industries and stakeholders; and
- maximizing the long-term benefits Albertans accrue from public lands through an integrated, balanced approach to managing dispositions on public lands.

The Minister of Sustainable Resource Development is responsible for the Natural Resources Conservation Board, the Surface Rights Board and the Land Compensation Board. These organizations deliver Core Businesses Three and Four. While they operate at arm's length from the department, they report directly to the Minister.

Natural Resources Conservation Board (NRCB)

The NRCB, through the *Natural Resources Conservation Board Act*, ensures that where development occurs, the economic, social and environmental impacts of the proposed project are within the public interest. Project reviews include proposed forest, recreation, tourism, mining or water management developments.

The Board ensures that development of Alberta's confined feeding industry reflects public policy, and that confined feeding operations and manure management practices are managed in accordance with the regulations under the *Agricultural Operation Practices Act*. This is done through the three business functions of assessment and approval, compliance and enforcement, and reviews.

Surface Rights and Land Compensation Management

The Surface Rights Board (SRB) and the Land Compensation Board (LCB) deliver Core Business Four. The Surface Rights Board ensures fair access to private and Crown land for energy, oil, and gas industry activities. It is an arbitration board authorized to allow entry on private and Crown land for energy activities. The SRB also sets the compensation payable by the energy company to the persons affected by the entry.

The Land Compensation Board ensures that compensation is provided where an authority expropriates private property. The LCB is an arbitration board authorized to determine the amount of compensation payable to a landowner or a tenant whose land is taken by an authority such as a municipality or the Province for public works or projects.

Environmental Protection and Enhancement Fund

The Environmental Protection and Enhancement Fund (EPEF) operates under the authority of the *Environmental Protection and Enhancement Act*. The fund is used for environmental emergencies and environmental protection or enhancement. The Ministry contributes to the fund's revenues primarily through timber royalties and fees. SRD draws from the fund's Natural Resources Emergency Program to cover firefighting expenditures and, to a lesser degree, for forest health and intercept feeding and fencing programs.

Cross-Ministry Initiatives

SRD supported two of the Government of Alberta's cross-ministry initiatives in 2004-05: the Aboriginal Policy Initiative and the Economic Development Strategy. In addition to these priority cross-ministry initiatives, SRD also worked closely with Alberta Environment on the Water for Life Strategy and with Alberta Environment and Alberta Energy on the Sustainable Resource and Environmental Management Framework.

Aboriginal Policy Initiative (API)

In 2004-05, SRD supported the goals and objectives of the API by:

- establishing three new Aboriginal Junior Forest Ranger student crews, bringing the total to six new crews over the past two years;
- initiating seven FireSmart projects in aboriginal communities, for a total of 15 new FireSmart projects in the past two years;
- providing cultural awareness training to 117 staff from various government ministries. The course, Understanding Aboriginal Cultures, provided general information about aboriginal relations around the world and how past events have set the precedent for the various treaties, agreements, legislation and rights challenges in Canada;
- providing funding and technical support for the development of 14 traditional-use study proposals in 22 aboriginal communities. Assistance has been provided to 11 ongoing studies involving 13 aboriginal communities for data gathering, interviews with elders and identification of ceremonial sites, burial sites, and hunting sites; and
- contracting over 40 aboriginal Wildland Firefighting Units during the 2004 fire season.

Economic Development Strategy

SRD supported the cross-ministry Economic Development Strategy in 2004-05 by:

- partnering in the development of a value-added strategy, entitled "Securing Tomorrow's Prosperity";
- working closely with Alberta Economic Development to promote growth in the forest industry in the area of wood and building products, by developing a scenario planning exercise that will project the future of the wood and building products industry in Alberta;
- collaborating with Alberta Economic Development, Alberta Community Development, Alberta Environment, and Alberta Infrastructure and Transportation to explore strategies for inter-departmental co-operation to support value-added recreation and tourism development on Crown lands;
- initiating an alliance with Forintek to ensure increased value return from Alberta's forest resource. This partnership focuses on increasing productivity in mills by improving product attributes and quality, supporting product and market diversification, and fostering entrepreneurial investment; and
- supporting the development and implementation of the Rural Development Initiative (RDI) by participating in the cross-ministry steering committee, providing initial input into the creation of the rural development strategy, "A Place to Grow", and exploring the development of baseline data for the department's Performance Management Framework.

Summary of Challenges and Key Activities in the Past Year

In 2004-05, Alberta Sustainable Resource Development saw record industrial and recreational demands on the province's landscape, continued international trade actions, increased adverse human-animal interactions, the threat of pests and diseases and another busy fire season.

Challenges

SRD faced a number of significant challenges in 2004-05.

- Natural phenomena including disease and pest outbreaks such as West Nile virus, chronic wasting disease and mountain pine beetle posed significant ramifications to Alberta's public natural resources and put significant pressures on the Ministry's operations to mitigate the damage from such diseases and pests.
- Several sectors of Alberta's economy (oil and gas, forestry, agriculture, tourism) continued to require access to public land and associated natural resources to support their economic viability and growth. At the same time, the public has had a growing interest in accessing public land for consumptive (fishing and hunting) and non-consumptive (bird watching, hiking) activities. Current growth trends in the sectors, and in population, have increased the demand on Alberta's public resources and challenge the department to make and support informed, integrated resource management decisions.

Activities

To address aspects of these challenges, SRD initiated a number of activities.

Mountain Pine Beetle

SRD established a comprehensive approach to protect Alberta's pine forests against the spread of the mountain pine beetle from British Columbia. Efforts included conducting aerial and ground surveys along the Eastern Slopes of the Rockies to identify trees attacked by mountain pine beetles; seeking help from pilots and the public in spotting infestations from the air; and entering into a five-year Memorandum of Agreement with British Columbia to control infestations. SRD is also continuing to work co-operatively with Banff National Park, Alberta Community Development, industry and other stakeholders to monitor, control and minimize the effects of the mountain pine beetle on Alberta's forests.

Chronic Wasting Disease (CWD)

The department oversaw an effective disease surveillance and management program aimed at preventing the spread of CWD into Alberta's wildlife. The program included the testing of deer and elk heads from the fall 2004 hunting season. Of the 6,000 wild deer and elk tested over the past seven hunting seasons, all have tested negative for CWD. In addition to the CWD testing program, SRD undertook a deer cull in eastern Alberta.

Bill 17: Forest Reserves Amendment Act

The *Forest Reserves Act* was updated in March 2004 to improve grazing in provincial forest reserves. The amendments addressed concerns about weeds, introduced increased penalties for violations, aligned Bill 17 with other legislation and provided a process for updating the Act when required.

Industrial Dispositions

The department processed a total of 16,274 disposition applications in 2004-05. While this was an increase of 13% over the previous fiscal year, the response times for approvals remained consistent with those in 2003-04.

Respect the Land Initiative

SRD implemented the Respect the Land initiative to raise awareness of the impacts of outdoor recreation and random camping on the landscape. The program, which promotes responsible recreation and shared stewardship of public land, reached an estimated 35,000 Albertans through trade events, information kiosks and contact in the field.

FireSmart

SRD showed leadership in protecting Alberta communities. The department worked on FireSmart plans in communities within the Forest Protection Area to reduce the threat of wildfires, ensure public safety and protect property.

In September, the department participated in a wildfire training exercise with the Town of Canmore. The event involved the public and approximately 100 emergency response representatives from all levels of government. It focused on public education, interagency cooperation and cross training.

Annual Wildfire Prevention Forum

SRD held the third annual Wildfire Prevention Forum in early April. This event involved more than 150 municipal, First Nations and industry representatives and was a kick-off for the 2004 wildfire season to remind Albertans how to use safe fire practices when enjoying forested landscapes. The forum provided participants with more information on the FireSmart program and how it can be applied to communities and industry.

Mutual Aid for Wildfire Resources

The department helped suppress wildfires in the Yukon, British Columbia, National Parks and the United States by providing 86 firefighting staff, aircraft and equipment through Mutual Aid partnerships. When Alberta experienced extreme fire hazards in the north, firefighting resources were imported from five other provinces.

Junior Forest Rangers and Forest Wardens

SRD continued to deliver Alberta's Junior Forest Ranger program, and established three new Aboriginal crews in Fort Vermillion, Driftpile and Slave Lake. The program provides students (aged 16 to 19) with unique work, educational and life experiences related to wildfire and forest management practices. The department also fostered resource management skills and future job opportunities by supporting the Junior Forest Warden program in co-operation with the Alberta Junior Forest Warden Association.

Community Timber Program

SRD modified the Community Timber Program to protect community mills and loggers from the potential impacts related to the softwood lumber trade dispute and from fluctuations in Alberta's current stumpage system.

BearSmart

SRD increased its efforts to educate Albertans about the need to be "bear smart" and to take personal safety measures when enjoying activities in backcountry areas.

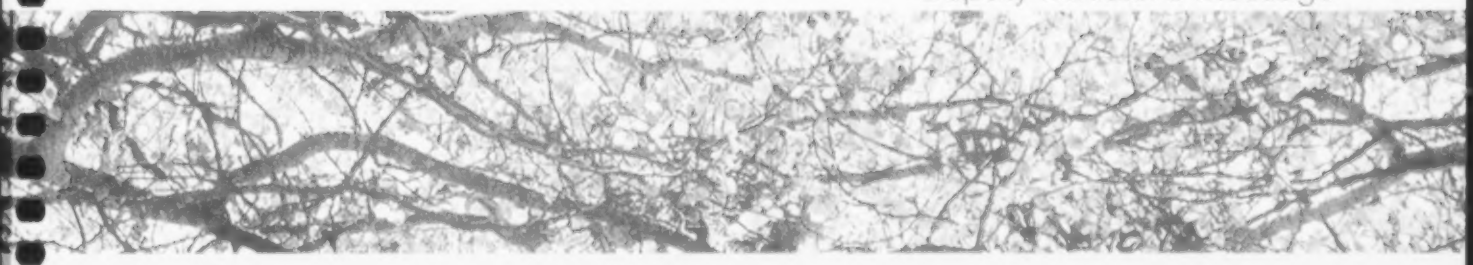
Improving Alberta's Fisheries

SRD improved fish monitoring, enhanced stocking, focused on fish habitat protection, reduced commercial fishing licenses and provided public education, all aimed at improving Alberta's fisheries. An expanded program for walleye harvest opportunities was continued across the province, including a pilot project at Calling Lake.

In addition, a barbless fishhooks regulation was introduced and fish stocking was undertaken to help conserve and enhance fish populations. Posters on the new regulation were distributed widely through license vendors and SRD's fish and wildlife offices.

Grizzly Bear Management

SRD reduced the size and extent of the grizzly bear hunt as part of Alberta's precautionary approach to bear management. The department also began conducting an innovative DNA census of the grizzly bear population and supported the completion of a recovery plan to identify potential conservation practices.



Wildfires in northern Alberta, industrial and recreational access, invasive plants, mountain pine beetle infestation and wildlife diseases, such as chronic wasting disease and West Nile virus, were some of the many tough challenges tackled by Alberta Sustainable Resource Development (SRD) and its partners in 2004-05.

Strong working relationships with stakeholders were a key part of working on these challenges. Our department recognizes that no single organization can manage Alberta's natural resources alone. That's why SRD relied on organizations like the Alberta Conservation Association, the Alberta Professional Outfitters Society and the Forest Resource Improvement Association of Alberta to assist with habitat conservation and development, the management of allocations for outfitters, as well as reforestation of permit areas held by small commercial timber operators.

The past fiscal year also saw SRD collaborate extensively with Alberta Environment, Alberta Energy and other government departments on overarching initiatives, such as the Water for Life Strategy, the Land Use Framework and the Rural Development Initiative. Within the department, our Public Lands and Forests, Fish and Wildlife, and Forest Protection divisions continued to work increasingly together, reflecting the close interconnection of their efforts on the provincial landscape.

The department spent $197 million to protect Albertans and their communities from wildfire and $112.2 million on the many initiatives included under our core business of Natural Resource and Public Land Management.

During 2004-05, the department's efficiency and responsiveness was reflected in its ability to maintain its performance. In spite of a 13 per cent increase in industrial disposition applications on public lands, we maintained our level of performance - 20.6 working days for completion of industrial dispositions compared to 20.3 days in 2003-04. SRD provided additional public rangeland grazing opportunities for agricultural producers faced with increased livestock inventories, as a result of the BSE crisis. The department also continued to provide quick service on geophysical disposition approvals. Processing time averaged 6.4 working days, well below the 10-day business plan target.

Whether it involved encouraging Albertans to "FireSmart" their communities, "Respect the Land" or monitoring the fishing harvest from any of Alberta's 1,100 water bodies, SRD staff did an excellent job of meeting the needs of Albertans across the province in 2004-05.

Brad Pickering
Deputy Minister
Alberta Sustainable Resource Development

AUDITOR GENERAL
Alberta

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures

To the Members of the Legislative Assembly

In connection with the Ministry of Sustainable Resource Development's performance measures included in the *2004-2005 Annual Report of the Ministry of Sustainable Resource Development*, I have:

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2004.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measures included in the *2004-2005 Annual Report of the Ministry of Sustainable Resource Development*.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
July 29, 2005

Discussion and Analysis of Results

Overview of Results Analysis

The results analysis section provides an integrated examination of performance measures and financial data highlights. The Ministry delivers its mandate through four core businesses:

1. Wildfire Management
2. Natural Resource and Public Land Management
3. Natural Resources Conservation Board
4. Surface Rights and Land Compensation Management

The first two core businesses are delivered by the department of Sustainable Resource Development. The latter two core businesses are the purview of the three boards. Each board is guided by specific legislation that provides them with their mandates.

The Environmental Protection Enhancement Fund is discussed in relationship to the delivery of programs through the core businesses rather than as a distinct entity.

Overview of Financial Information

The Ministry's expenses by core business are outlined in Table 1. While Core Business Two has a larger percentage of the overall 2004-05 Budget (57%), Core Business One's totals make up the largest part of the Ministry's actual expenses for 2004-05 (61%). Despite the increase in actual expenses for Core Business Two and Three, the Ministry's overall expenses decreased from $327.1 million in 2003-04 to $321.9 million in 2004-05.

Table 1
Ministry Expense by Core Business Year Ended March 31, 2005 (in millions)

Core Business	2003-04 Actual	2004-05 Budget	2004-05 Actual
Wildfire Management	$ 207.7	$ 77.3	$ 197.0
Natural Resource and Public Lands Management	109.1	118.8	112.2
Natural Resources Conservation Board	5.5	6.6	6.2
Surface Rights and Land Compensation Boards	2.4	2.0	2.4
Environment Statutory Programs	2.4	5.0	4.1
Total	**$ 327.1**	**$ 209.7**	**$ 321.9**

The Ministry's expenses by government function are outlined in Table 2. Although 65% of the budget was allocated to the "Agriculture, Resource Management and Economic Development" function, the fire season caused 60% of actual gross expenses to occur in the "Protection of Persons and Property" function.

Table 2
Expense by Function Year Ended March 31, 2005 (in millions)

Expense Function	2003-04 Actual	2004-05 Budget	2004-05 Actual
Agriculture, Resource Management and Economic Development	$ 122.2	$ 135.7	$ 127.4
Protection of Persons and Property	204.9	74.0	194.5
Total	**$ 327.1**	**$ 209.7**	**$ 321.9**

The Performance Management Framework

The Ministry uses a logic model approach to demonstrate the success of its core business activities. As shown in Figure 2, measures are described as either outcome or output measures.

- Outcome Measures reflect changes in the state of the world (external to the Ministry) toward the desired goal or impact. While these changes may not be entirely attributable to the department's activities, these changes bridge the relationship between the department's activities and the desired impact.
- Output Measures reflect directly on the performance of the Ministry. These measures are essential to management decision-making. Through Ministry initiatives and activities, specific results (outputs) are achieved that in turn contribute to the desired impact.

In 2004-05, SRD undertook considerable research and analysis to enhance the Ministry Performance Management Framework. Much of this work is still in progress; the status of this work is summarized in Table 3.

Table 3
Performance Measures Under Development

Goal Number	Performance Measures under development	Status in 2005-08 Business Plan
2	Reforestation	Developed
3	Human-Wildlife Interactions	Discontinued
3	Multiple Natural Resource Industries Co-existing	Discontinued
7, 8	Natural Resources Conservation Board	Three new developed
9, 10	Surface Rights and Land Compensation Management	Two new developed

The following five new performance measures were introduced in 2004-05:

- The average age of forest management plans in the Green Area in Goal Two helps demonstrate how the Ministry continues to ensure that Alberta's public forests and forest lands are sustained through forest management planning and practices by government and industry, coupled with appropriate compliance, assurance and reporting mechanisms;
- The percentage of timber royalties owed to and collected by the province in Goal Two helps ensure that Albertans receive value for the use of the timber resource through the fair and timely payment of royalties by the forest industry;
- The Benefits from Wild Species performance measure in Goal Three captures the number of Albertans who reported watching and enjoying wildlife (millions). The purpose of this measure is to demonstrate the number of Albertans currently deriving benefit from wildlife. It evaluates the department's programs that are designed to encourage more Albertans to appreciate the benefits derived from wildlife, therefore increasing the value and strategic importance of this resource;
- The Species at Risk performance measure from Goal Three has been reprofiled to represent Landscape Integrity as an outcome performance measure in Core Business Two. The Species at Risk performance measure is the first of a set of measures that are being developed to provide Albertans with an understanding of the impact of development on the province's public land base.
- The public desires open and transparent processes with respect to natural resource management decision-making. The success of the public in participating in processes related to the management of Alberta's natural resources will be evaluated through the Public Consultation and Transparency performance measure of Core Business Two.

Figure 2
The Performance Management Framework

Inputs	Core Business/ Processes	Outputs	Outcomes	Impacts
Knowledge Financial Resources Natural Resources	Wildfire Management	Losses from wildfires within the Forest Protection Area are minimized through: • Prevention, • Rapid detection, • Early response, and • Containment and suppression.	Alberta's forests and forest communities are protected from wildfire. Human-caused fires starts do not increase, despite population growth, urban encroachment and escalating fire start potential in the Forest Protection Area.	The sustained contribution of benefits to Albertans from Alberta's public land and natural resources.
	Natural Resources Management	Alberta's forests are managed and used in a sustainable manner. Alberta's public forests and forest lands are allocated through appropriate assessment of the resources. Albertans receive an economic return from Alberta's forests consistent with the valuation of the resources.	Alberta has an integrated, first-class, natural resource management and decision support system that: • enables multiple natural resource industries (e.g. forestry, oil and gas, recreation, agriculture, etc.) to co-exist and prosper on a single landscape; • support landscape integrity; and • meets the needs of Albertans for accountability, transparency and consultation.	
		Alberta's wild species are managed to sustain healthy, viable populations. Alberta's wild species are managed to provide benefits to Albertans. Human and wildlife interactions are managed to minimize conflict.		
		Public rangeland resources are used in a sustainable manner. Alberta public rangeland resources are allocated.		
		Public land outputs - under development		
		Dispositions on Alberta's public lands are administered in a timely manner.		
	Natural Resources Conservation Board	*Under Development*	Natural resource development projects and confined feeding operations respect the balance of social, economic and environmental interests of Albertans.	
	Surface Rights and Land Compensation Management	*Under Development*	Fair access to private and Crown land for energy and oil and gas industry activities.	

Client/Stakeholder Feedback

Figure 2
The Performance Management Framework

Inputs →	Core Business/ Processes →	Outputs →	Outcomes →	Impacts
Knowledge Financial Resources Natural Resources	Wildfire Management	Losses from wildfires within the Forest Protection Area are minimized through: • Prevention, • Rapid detection, • Early response, and • Containment and suppression.	Alberta's forests and forest communities are protected from wildfire. Human-caused fires starts do not increase, despite population growth, urban encroachment and escalating fire start potential in the Forest Protection Area.	The sustained contribution of benefits to Albertans from Alberta's public land and natural resources.
	Natural Resources Management	Alberta's forests are managed and used in a sustainable manner. Alberta's public forests and forest lands are allocated through appropriate assessment of the resources. Albertans receive an economic return from Alberta's forests consistent with the valuation of the resources.	Alberta has an integrated, first-class, natural resource management and decision support system that: • enables multiple natural resource industries (e.g. forestry, oil and gas, recreation, agriculture, etc.) to co-exist and prosper on a single landscape; • support landscape integrity; and • meets the needs of Albertans for accountability, transparency and consultation.	
		Alberta's wild species are managed to sustain healthy, viable populations. Alberta's wild species are managed to provide benefits to Albertans. Human and wildlife interactions are managed to minimize conflict.		
		Public rangeland resources are used in a sustainable manner. Alberta public rangeland resources are allocated.		
		Public land outputs - under development		
		Dispositions on Alberta's public lands are administered in a timely manner.		
	Natural Resources Conservation Board	*Under Development*	Natural resource development projects and confined feeding operations respect the balance of social, economic and environmental interests of Albertans.	
	Surface Rights and Land Compensation Management	*Under Development*	Fair access to private and Crown land for energy and oil and gas industry activities.	

Client/Stakeholder Feedback

Core Business One - Wildfire Management

There are 39.3 million hectares in the Forest Protection Area, representing 59% of Alberta's total land base.

Goal 1: Protect Alberta's forests and forest communities by preventing and suppressing wildfires.

Two factors continue to influence the performance of this core business - climate conditions and the steady growth of recreational and industrial activity in the Forest Protection Area (FPA) of Alberta. Climate conditions and the resulting moisture levels of forest fuels affect wildfire activity. While the 2004 fire season had higher moisture levels than the previous year in parts of the province, the northern portion remained dry and the long-term trend has been one of drier landscape conditions.

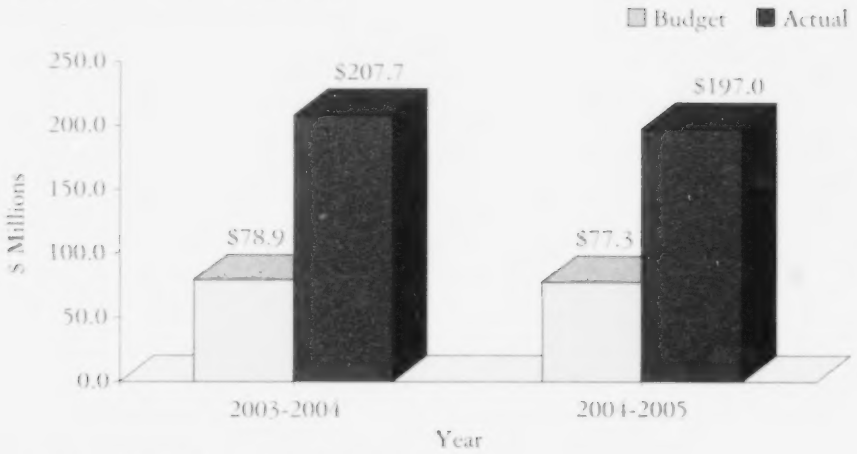
The growing human interface on this landscape refers to the steady growth of recreational and industrial activity in Alberta's forested areas. This growth has a direct impact on the number of human wildfire starts and has resulted in SRD implementing aggressive public education and outreach programs. These programs provide the public and industry with information on how to live in and operate safely in the forest.

Strategic Approach

- Provide a preparedness framework that enables the Province to respond to the event of wildfire in the Forest Protection Area of the province. Key elements of the framework include: effective policies, readiness/training, prevention, detection and early response.
- Reduce the risk and potential damage caused by wildfires within the Forest Protection Area by actively incorporating FireSmart practices and principles within communities, in cooperation with community stakeholders.
- Respond to the event of wildfire through a wildfire management regime that quickly contains and suppresses wildfires within the Forest Protection Area to minimize fire losses.
- Reduce the economic burden of wildfires on communities and their residents by implementing the Municipal Wildfire Assistance Program in partnership with Alberta Municipal Affairs.

The expenditures for the Wildfire Management Core Business were $197.0 million in 2004-05 (Figure 3), a large proportion of which is attributed to the wildfire activity and drought conditions in northern Alberta. The 2004-05 expenditures were nearly $11.0 million lower than the expenditures in 2003-04 ($207.7 million).

Figure 3
Wildfire Management Budget and Expenditures (2003-04/2004-05)

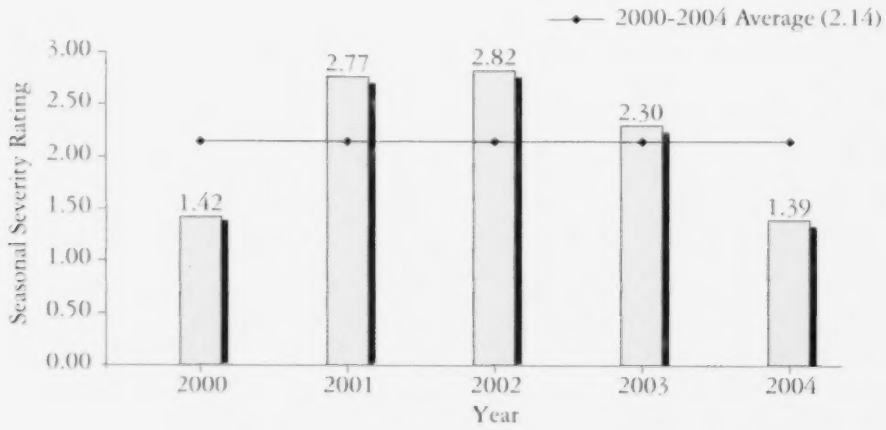


Note: Expenditure data include allocated Ministry Support Services.

While most of the southern area of the province experienced relatively moist conditions, ongoing drought conditions in northern Alberta created challenges for the department's wildfire suppression program. As a result, a forest fire emergency was declared for the 2004 fire season under the *Fiscal Responsibility Act* and the department received increased funding of $124.0 million in supplementary estimate for fighting wildfires.

The seasonal severity rating (SSR) for 2004 was 1.391. This rating was down from last year's rating of 2.30 and below the five-year rolling average of 2.14 (Figure 4). The decrease in the SSR reflected the somewhat moister conditions found elsewhere in the province.

Figure 4
2000-2004 Seasonal Severity Rating



Class D & E Wildfires

Class D wildfires range from between 40.1 hectares and 200.0 hectares in size. Class E wildfires reach 200.1 hectares or greater.

Notwithstanding the lower SSR, the department responded to approximately 1,600 wildfires during the 2004 fire season. These fires consumed approximately 236,000 hectares in the FPA.[2] The department also experienced extreme lightning activity during the 2004 fire season. On July 15, 2004, the department responded to the most lightning-caused wildfires recorded in a single day (118 wildfires).

A critical factor that influences the department's wildfire suppression efforts and expenditures is the size of the wildfires that were fought. SRD classifies fires according to their coverage on the landscape with Class A being the smallest and Class E being the largest. In the 2004 fire season (April 1- October 31), there were 52 Class D and E wildfires.

On July 25, 2004, six cabins near Bistcho Lake (approx. 750 km NW of Edmonton) burned down as a result of a wildfire that occurred during extreme hazard conditions in the Ecological Wildfire Management Zone. Due to the proximity of the wildfire to cabins, SRD used both personnel and aircraft in its suppression operations. Of the six cabins destroyed, five belonged to commercial fishermen and one was an SRD Fish and Wildlife cabin.

Ecological Wildfire Management Zones

are located in the northern portion of the province where the human population is very sparse and risk of damage to watersheds from wildfires is low.

Preparedness

The department has short- and long-term preparedness programs that focus on prevention, readiness, detection and early response activities.

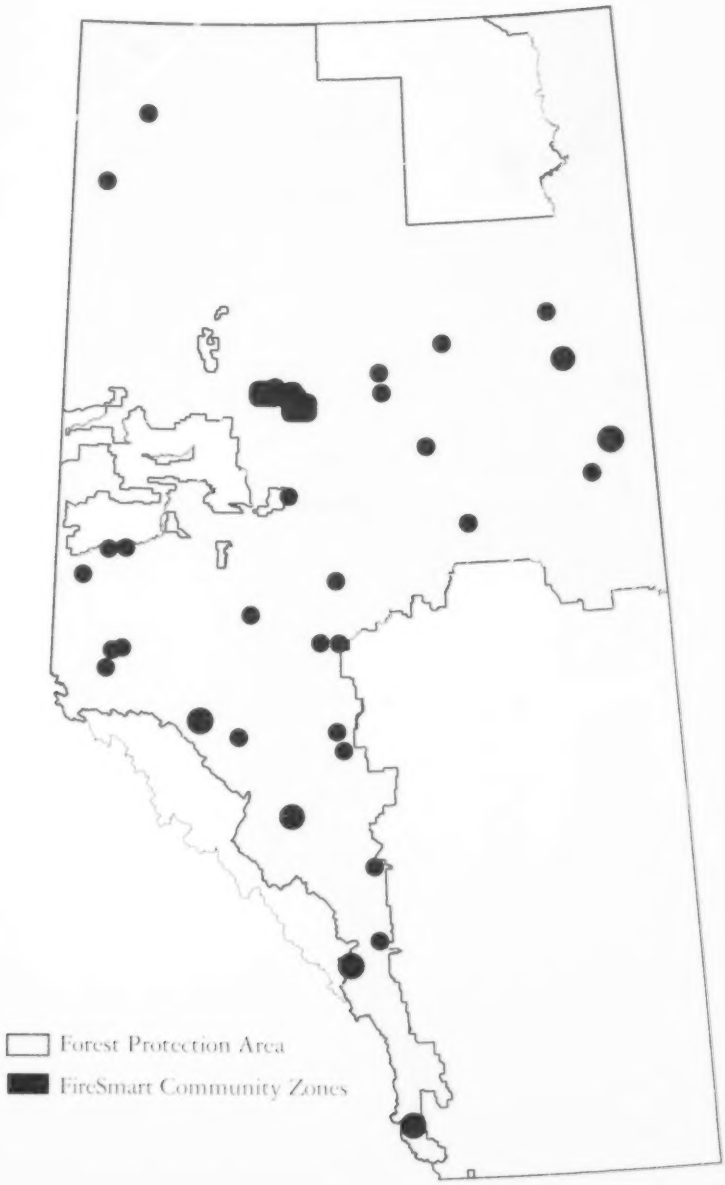
Prevention

With the dry conditions in northern Alberta during 2004, fire bans served as an important tool to prevent wildfires and protect human life. A fire ban was issued from June 29 to July 21, 2004, stretching from the area west of Wood Buffalo National Park to the Alberta/British Columbia border. Municipalities implemented their own local fire bans and burning restrictions.

Prescribed fire is also used as a tool to successfully achieve the desired wildfire management objectives. A new Prescribed Burn program was developed to provide safe and effective delivery of prescribed fire at various landscape scales. Under this program, over 400 hectares were burned in 2004 to reduce wildfire hazards around communities. A prescribed burning planning process was initiated to address the mountain pine beetle infestations in Willmore Wilderness Park. SRD also provided British Columbia with assistance in their prescribed burning programs to control the mountain pine beetle infestations in their province.

In 2004 the FireSmart program continued to be an important tool in SRD's wildfire prevention toolbox. FireSmart projects were in various stages of development (from conceptual to detailed planning phases, to implementation) in 32 communities.[3] Projects included activities such as plan development, stand tending, prescribed burning, fireguard construction, public education, information and training. Priorities were placed on areas within and immediately surrounding communities and the landscape within 10 km of communities (Figure 5).

Figure 5
Alberta's Forest Protection Area with FireSmart communities identified



Other FireSmart activities included:

- providing FireSmart training sessions to the forest industry and communities;
- implementing the Wildfire Threat Assessment decision support tool and related training;
- launching an external website enhancement to provide new information on FireSmart to the public and other stakeholders;
- using the Prometheus fire growth model to validate vegetation management prescriptions;
- ramping up of the hazard reduction burning program to reduce the risk of wildfires around communities;
- releasing a second edition interactive CD-ROM version of Alberta's FireSmart Manual in July 2004, giving staff and stakeholders the knowledge they needed to actively participate in preventing and fighting wildfires;
- hosting the third Wildfire Prevention Forum involving more than 150 municipal, First Nations and industry representatives;[4]
- participating in a wildfire training exercise with the Town of Canmore that involved emergency response representatives from all levels of government;
- assisting the Alberta Junior Forest Warden Association in raising awareness of FireSmart through various prevention activities and programs in communities;
- supporting the delivery of the Junior Forest Ranger Program (including six aboriginal crews) in providing seven weeks of work experience and natural resource education to over 200 youth[5]; and
- increasing the focus on community protection by assigning specialized department staff to operate as a Wildland/Urban Interface Manager, a Prescribed Fire Operations Coordinator and Wildfire Science Foresters.

Performance Measures: Prevention
Number of human caused fires within Alberta's Forest Protection Area
Number of industry-caused fires

SRD uses two outcome measures to examine how well the department's overall efforts towards wildfire prevention are being reflected by the actions of Alberta's citizens and industries – the numbers of human-caused and industry-caused wildfires within the province's FPA. While human-caused and industry-caused wildfire starts are not directly influenced by SRD, the department's education and outreach programs encourage appropriate behavior in the forest to reduce the risk of fires.

Wildfires now include:
• starting a fire without a permit,
• burning materials in unsafe conditions and
• operating outside the parameters of a fire permit.

In 2004, SRD changed the methodology it uses to count the number of wildfires and redefined the wildfire numbering system to allow the comparison of consistent performance measures against other jurisdictions across Canada. This change has had an overall effect of:

- increasing the number of wildfires that are assigned a wildfire number;
- increasing the performance targets to account for the increase in types of incidents reported; and
- providing better information on human-caused wildfires for use in planning wildfire prevention activities.

As a result of the new methodology change, there were 734 human-caused fires and 116 industry-caused fires recorded in 2004. These results cannot be directly compared to the 2004-07 targets due to the methodology change. To accommodate the methodology change, respective 2005-08 SRD Business Plan targets were restated from less than 300 and less than 60 to less than 650 and less than 100[6]. For further details, see the section on data sources and methodology.

There are 10 Wildfire Management Areas in the province. These areas have defined geographical boundaries and were established to facilitate wildfire management.

Readiness

Readiness is the second component of the department's wildfire preparedness program. In 2004, SRD undertook a number of actions to ensure its operations were ready to respond to wildfires. These actions included:

- monitoring wildfire conditions within Wildfire Management Areas, including recommending the issuance of evacuation warnings or recommending and assisting with evacuations of some communities due to the risk of wildfire; and
- hiring four aboriginal liaison officers to bridge communications and activities between SRD's wildland firefighting staff and aboriginal communities.

Detection and Reporting

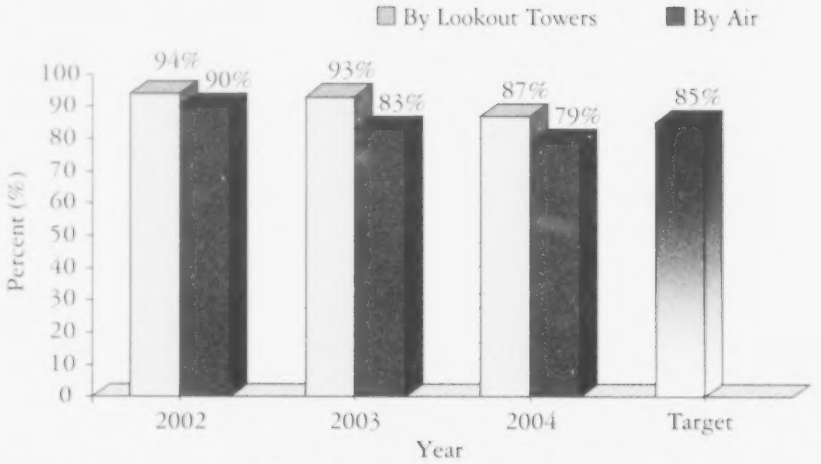
The department continued to detect and report wildfires through the surveillance network of 131 fire lookout towers located across the FPA. Performance targets were met or exceeded in the reporting of wildfires from lookout towers.

Aerial detection results dropped from 2003 levels. The decrease can be attributed to a high number of fires occurring in the Ecological Wildfire Management Zones of the province that were not detected earlier because of a lower frequency of aerial detection activities in that area. Fewer detection resources were allocated to these zones because these fires were determined to be of lower threat to human life or communities.

In 2004, the results of the detection and reporting performance measures were:

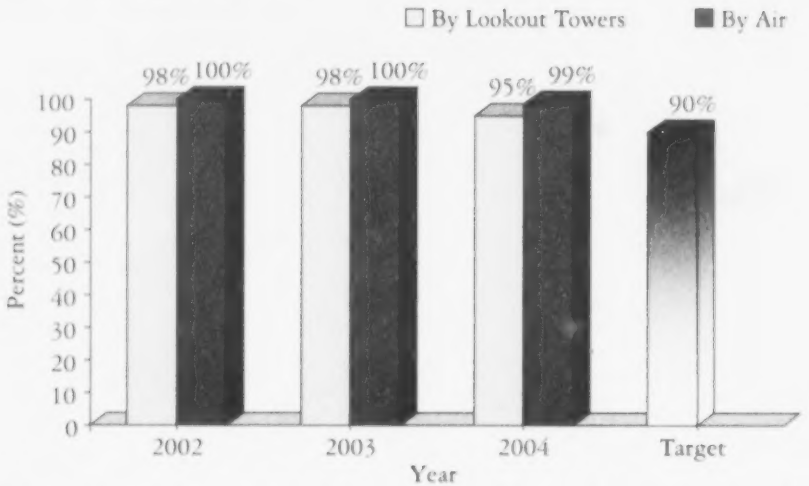
- lookout towers and aerial surveys detected 87% and 79% of wildfires, respectively, before they grew beyond 0.1 hectares in size, a decrease from 2003 results of 93% and 83%, respectively (Figure 6)[7]; and
- nearly all wildfires detected by lookout towers (95%) and aerial patrols (99%) were reported within five minutes or less (Figure 7)[8].

Figure 6
Performance Measure: Detection
Percentage of wildfires detected at 0.1 hectares or less in size



Note: Performance data are based on the legislated fire season (April 1 to October 31). For further details, see the section on data sources and methodology. Percentages are not additive; they are distinct success rates for each method of detection.

Figure 7
Performance Measure: Detection
Percentage of detected wildfires reported within 5 minutes or less

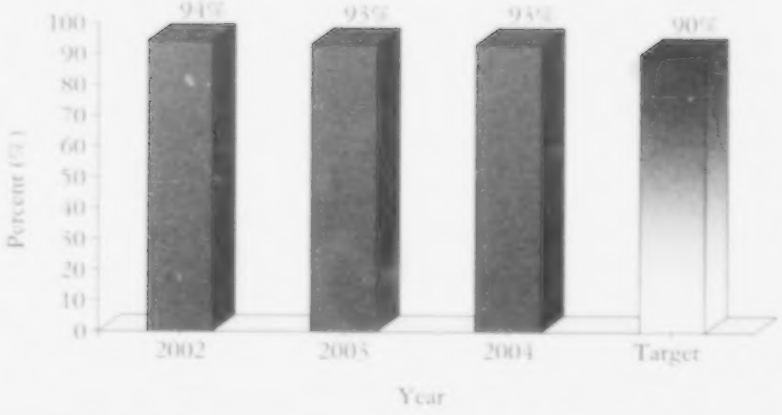


Note: Performance data are based on the legislated fire season (April 1 to October 31). For further details, see the section on data sources and methodology. Percentages are not additive; they are distinct success rates for each method of detection.

Early Response

Early response is the fourth component of the department's preparedness program. The department's high state of preparedness allows it to attack, and in most cases control new wildfires before they grow to become large and costly. In 2004, a total of 93% of the wildfires were actioned before they reached 2.0 hectares in size (Figure 8). This result was comparable to the 2003-04 results and exceeded the target of 90%.[9]

Figure 8
Performance Measure: Response
Percentage of wildfires actioned before they reach 2.0 hectares or less in size



Note: Performance data are based on the legislated fire season (April 1 to October 31). For further details, see the section on data sources and methodology.

SRD's five priority values at risk (listed in order of highest to lowest priority) are: protection of human life, protection of communities, protection of sensitive watersheds and soils, protection of natural resources, and protection of infrastructure.

Wildfire Management

Once the department detects and actions a wildfire, firefighting resources are allocated to contain and suppress it within:

- the first burning period (i.e., by 10 a.m. the following day); and
- a containment area of 4.0 hectares or less.

Historical data suggest that containing the fire to an area of 4.0 hectares or less tends to reduce losses from wildfire and reduce suppression costs.

In the 2004 fire season, through an aggressive initial attack program with air and ground resources, the department was able to contain:

- 93% of all wildfires within the first burning period, a drop from the previous year's results but exceeding the 85% target.
- 91% of wildfires within 4.0 hectares, a drop from the previous year's results but exceeding the 90% target. (Figure 9).[10]

Figure 9
Performance Measure: Containment and Suppression
Percentage of wildfires contained within the first burning period
Percentage of wildfires contained at 4.0 hectares or less in size

Note: Performance data are based on the legislated fire season (April 1 to October 31). For further details, see the section on data sources and methodology.

If an individual wildfire cannot be contained before the first burning period and/or within 4.0 hectares in size, the department uses a variety of tools to manage its resource allocation priorities. Key tools that assist the department in wildfire management are the Spatial Fire Management System for resource planning and the Prometheus Fire Growth Model for fire behavior predictions and fire growth. Alberta is leading the development of the Prometheus model in collaboration with other agencies across Canada. Where necessary, the department will allocate additional resources or reallocate deployed resources to combat wildfires that threaten human life and communities or other priority values at risk.

The Mutual Aid Resource Sharing Agreement is another wildfire management tool used by SRD. This agreement allows for the sharing of wildfire suppression personnel resources with other jurisdictions in Canada and the United States. In 2004, SRD provided wildfire suppression assistance (personnel, aircraft and equipment) to British Columbia and the Yukon to help fight their challenging wildfires. SRD also received assistance from five other provinces.

Core Business Two - Natural Resource and Public Land Management

Core Business Two integrates the resource management functions related to the public land, forest, and fish and wildlife resources of the province to demonstrate the integrated nature of activities on the provincial landscape and their resulting impacts. The cumulative and individual targets and achievements for 2004-05 are captured in five goals and associated performance measures. While each of the five goals addresses resource-specific needs (forests, lands and wild species), they are targeted towards a common outcome - to demonstrate the department's success at creating an integrated natural resource management system.

Core Business Two - Outcome Performance Measures

There are many competing demands for Alberta's public lands and renewable resources. Recognizing that there are mutual dependencies among the five goals toward common outcomes, performance measures are under development to demonstrate the integrated effectiveness of the department's activities.

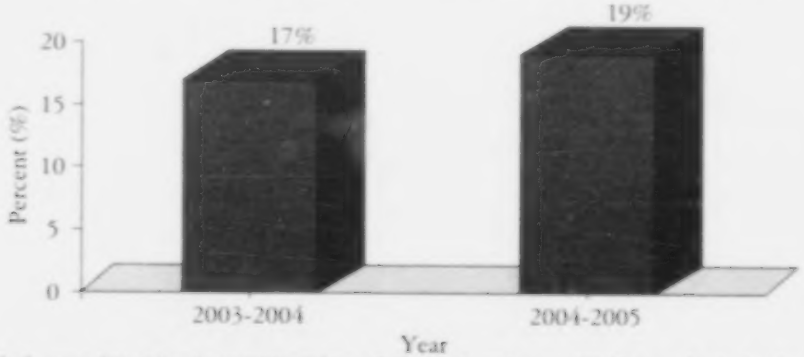
During 2004-05, SRD developed an outcome performance measure to examine Albertans' perception of decision-makers' transparency in the area of sustainable resource management.

The intent of this outcome measure is to demonstrate whether Albertans believe SRD is making resource management decisions in a fair and transparent manner. The government fosters sustainable growth and prosperity for many users and believes it is important to measure Albertans views' on being engaged in natural resource management decision-making.

In 2004, 19% of Albertans said yes to the question: "In the past 12 months, have you heard about opportunities to participate in a public process related to the management of Alberta's renewable natural resources?"[1]

SRD has also developed an outcome performance measure for Landscape Integrity, as illustrated by the percentage of Species at Risk (Figure 17). The Species at Risk measure demonstrates the percentage of species listed as threatened or endangered under the *Wildlife Act* (Alberta) and provides an indirect measure of the integrity of ecosystems.

Figure 10
Outcome Performance Measure: Public Consultation and Transparency
Percentage of Albertans who agree that there are opportunities to provide feedback on resource decisions. (In the past 12 months, have you heard about opportunities to participate in a public process related to the management of Alberta's renewable natural resources?)



Note: Performance data are based on a public opinion poll. The total sample size is 731 Albertans. For further details, see the section on data sources and methodology.

Goal 2: The values Albertans receive from forests and forest landscapes are sustained and enhanced for future generations.

The department is challenged with achieving balance among differing uses of Alberta's forests and forest lands. During 2004-05, the department faced a range of issues related to the province's forest and forest landscapes. The continuing softwood lumber trade dispute and the increased emphasis of environmental campaigns on the sustainability of the boreal landscape were key external factors influencing the overall performance of the forest sector. At the same time, the forest industry realized high commodity prices, driving higher activity. The province also saw the effects of industry consolidation through an announced mill closure (Hines Creek mill closure).

Strategic Approach

- Provide a clear, balanced approach to forest and forest landscape management through a policy, legislative and regulatory framework that maximizes the benefits Albertans accrue from forests and forest lands.
- Manage infestations of insect, disease and weed pests in Alberta's forests through effective detection and management strategies that recognize shared responsibility with industry, municipal and federal governments.
- Ensure sustainable forest management through adaptive forest management planning and practices by government and industry, coupled with appropriate compliance, assurance, and reporting mechanisms.
- Increase the value of forest products produced from Alberta's forest resource through: unleashing innovation, competing in the global market place, leading in learning and strengthening Alberta's economy.
- Partner with International and Intergovernmental Relations and other jurisdictions to work towards a resolution for the softwood lumber trade dispute; and
- Ensure Albertans receive an economic return for use of fibre produced on forested public lands consistent with the valuation of the resources.

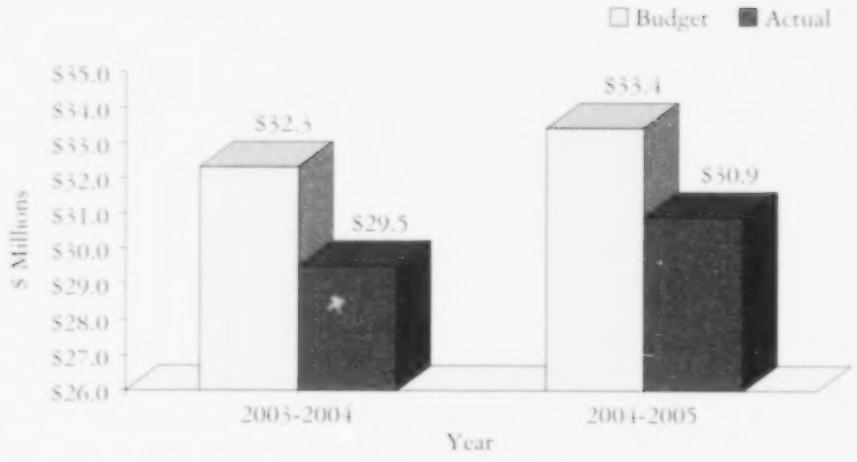
The 2004-05 expenditures for this goal totaled $30.9 million. This total was below the anticipated budget of $33.4 million but an increase of $1.4 over the 2003-04 (Figure 11). The drop in expenditure compared to 2004-05 budget was due to a decrease in amortization and decreased funding requirements for instances where the department transfers public land to municipalities below market value.

In 2004-05, SRD focused on the following forest policy initiatives to improve the forest management policy framework:

- continuing to develop a tenure renewal strategy with clear criteria for a systematic process that addresses forest challenges and improves Alberta's system of long-term timber allocation;
- amending the Weyerhaeuser Grande Prairie Forest Management Agreement to facilitate the sale of their Grande Cache sawmill to Foothills Forest Products. The annual allowable cut in the E8 forest management unit was also reduced to allow for greater consideration of the wildlife management strategies of Core Business Two; and

- participating in stewardship initiatives such as the Stream Crossing Association. The Stream Crossing Association works with government and industry to co-operatively resolve stream crossing issues that can impact fish habitat.

Figure 11
Forest Management Budget and Expenditures (2003-04/2004-05)



Note: Expenditure data include allocated Ministry support services.

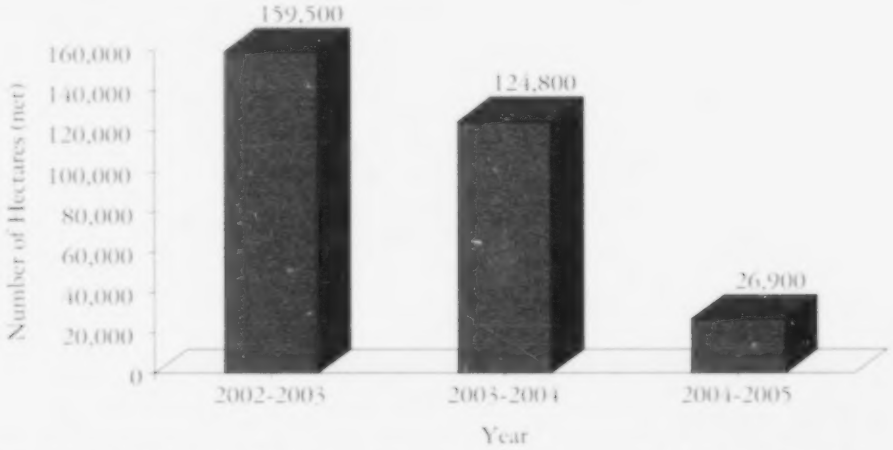
The department received a 2004 Silver Premier's Award of Excellence for the Interagency Co-operative Mountain Pine Beetle Management Team.

The department continues to face challenges in controlling mountain pine beetle (MPB) and spruce budworm infestations. The department received an additional $1 million to address increased detection and control activities of MPB infestations. Increasing MPB populations in British Columbia continued to threaten Alberta's forests along the eastern slopes of the Rocky Mountains. During 2004, the department detected new infestations in the Willmore Wilderness, Bow Valley and Crowsnest Park areas. SRD continued to work with Alberta Community Development, Parks Canada and the British Columbia Ministry of Forests to develop effective management strategies, however MPB continues to be a serious threat to Alberta's forest industry.

The spruce budworm, while currently on the decline, was still a significant forest pest requiring department attention in 2004-05. Following a dramatic growth of spruce budworm infestation in 2002, the number of net hectares with moderate/severe defoliation in 2004 decreased by 78% from 2003 levels (Figure 12).[12] The continued decline in spruce budworm infestation is largely due to natural causes, such as the lack of suitable host trees.

As a result of the threats faced by the mountain pine beetle and spruce budworm, SRD initiated the Alberta Forest Health Strategy and the Shared Roles and Responsibilities program to assist in sustaining the health of Alberta's forests through improved co-ordination and co-operation among a variety of stakeholders.

Figure 12
Number of Hectares with Moderate/Severe Defoliation (net) by Spruce Budworm



Note: "Net" refers to a validation with the Alberta Vegetation Inventory to determine exactly how many hectares have been defoliated within the polygon. The department also reports "gross" hectares, which is the total area of the polygons investigated; however, non-timber areas (such as water bodies) may be included.

As part of its adaptive approach to sustainable forest management in 2004-05, SRD:

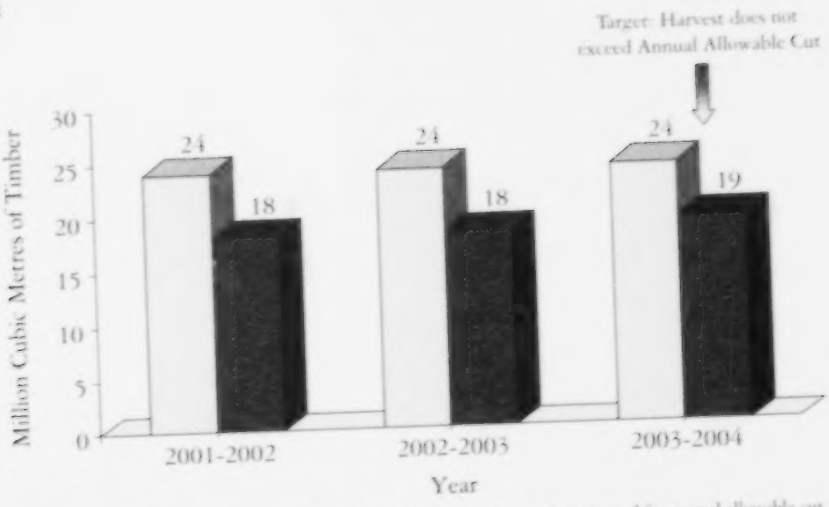
- produced a new draft of the Forest Planning Standard (FPS) to govern forest management activity on public land. The standard encourages sustainable management of forest resources by clearly defining expectations of industry for forest management and planning in Alberta. The upcoming public consultation on the draft FPS will ensure that Albertans' views regarding the values beyond sustained wood flows to mills are considered;
- assisted with the One Forest Under Two Flags Joint North American Forestry Conference, held in Edmonton to promote and transfer advances in sustainable forest management concepts; and
- participated in the Foothills Model Forest Highway 40 North demonstration project to test the application of a natural disturbance approach on forest management planning.

To ensure the sustainability of forests and forest uses, SRD has developed a set of measures that the department monitors to ensure the resource is used in a manner that creates opportunity and economic value today and availability for tomorrow's uses. The first of these measures tracks Alberta's annual timber harvest against the province's long-term sustainable annual allowable cut (AAC). The target of this measure is to ensure that the harvest does not exceed the AAC in a given fiscal year. In 2004-05, 19 million cubic metres of the 24 million cubic metres allocated were harvested (Figure 13).[3]

SRD is developing two new performance measures that will provide assurance to Albertans that the forest resource is used in a manner that creates opportunities today, but remains healthy to be used for a number of activities in the future. These measures are:

- reforestation success; and
- currency for forest management agreements (FMA) to revise forest management plans (FMP).

Figure 13
Performance Measure: Timber Allocation
Annual Allowable Cut and Harvest



Note: There is a one-year delay in reporting these data. A five-year rolling average is used for annual allowable cut and harvest data because they better reflect how harvest volumes are regulated. For further details, see the section on data sources and methodology.

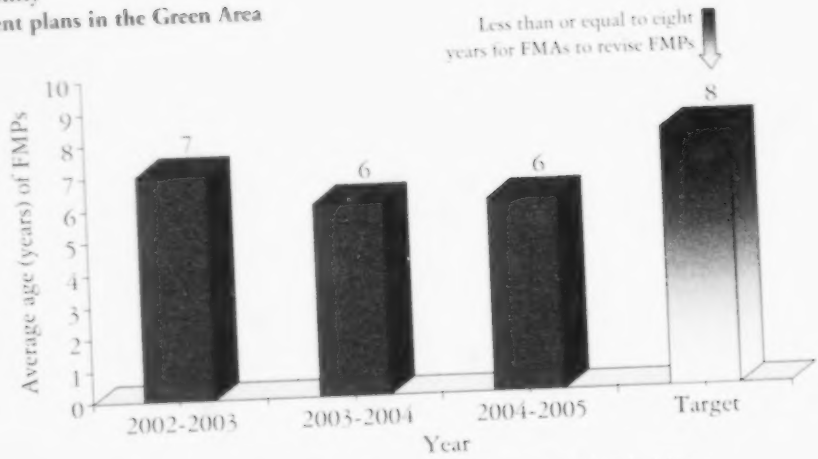
The reforestation of forests in previously harvested areas by industry is included in the Ministry's 2005-08 Business Plan and will be reported in the subsequent Annual Report. This measure will demonstrate SRD's work in cooperation with the forest industry to ensure that reforestation continues to be a major component of forest sustainability.

Maintaining up-to-date forest management plans that were developed with the latest data and leading research on forest management practices ensures that Alberta's forests are managed for future uses. In 2004-05, the average age of forest management plans was six years (Figure 14).[14] The results of this new measure shows that the department's forest management plans are more current than the legislative requirement of eight years.

Promoting innovation and value-added concepts in Alberta's forest industry was an important strategy for SRD in 2004-05. The department initiated an alliance with Forintek to work towards an increased value return from Alberta's forest resource. This partnership focuses on increasing productivity in mills by improving product attributes and quality, supporting product and market diversification, and fostering entrepreneurial investment. The initiative was successful in acquiring funding under the federal-provincial Western Economic Participation Agreement.

The softwood lumber trade dispute continued through 2004-05. SRD works with the Government of Canada and Alberta International and Intergovernmental Relations towards a resolution of the dispute. The department brought forward amendments to the Community Timber Program (CTP) to ensure that community mills and loggers would be protected from the potential impacts of forest management changes related to the softwood lumber trade dispute and that CTP participants would be protected from fluctuations in Alberta's current stumpage system.

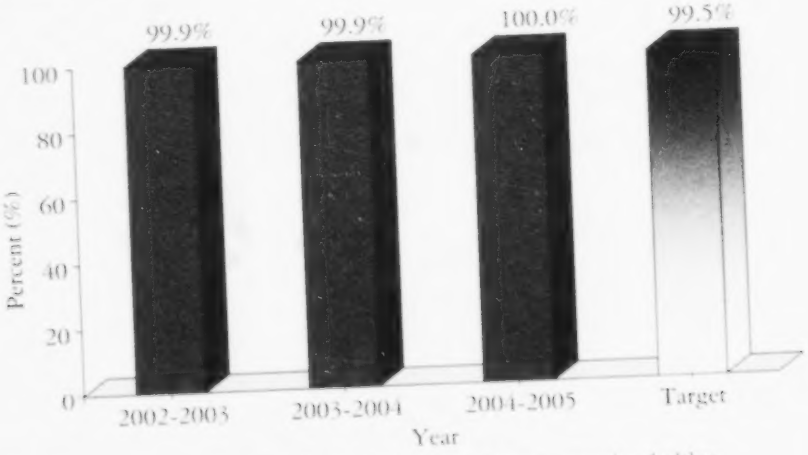
Figure 14
Performance Measure: Forest Sustainability
Average age (years) of forest management plans in the Green Area



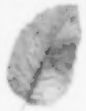
Note: New performance measure. For further details, see the section on data sources and methodology.

To ensure Albertans receive an economic return for the harvesting of trees in Alberta, the department is responsible for tracking the amount of timber harvested and collecting the appropriate revenue. Timber harvesting in Alberta is based on a self-assessing process where the forest industry reports the amount of timber harvested and submits the applicable timber royalties owed to the Crown. In 2004-05, almost 100% of timber royalties were collectable (Figure 15).[15]

Figure 15
Performance Measure: Timber Revenue
Percentage of timber royalties owed to the province collected



Note: New performance measure. For further details, see the section on data sources and methodology.



Goal 3: The values Albertans receive from wild species are sustained and enhanced for future generations.

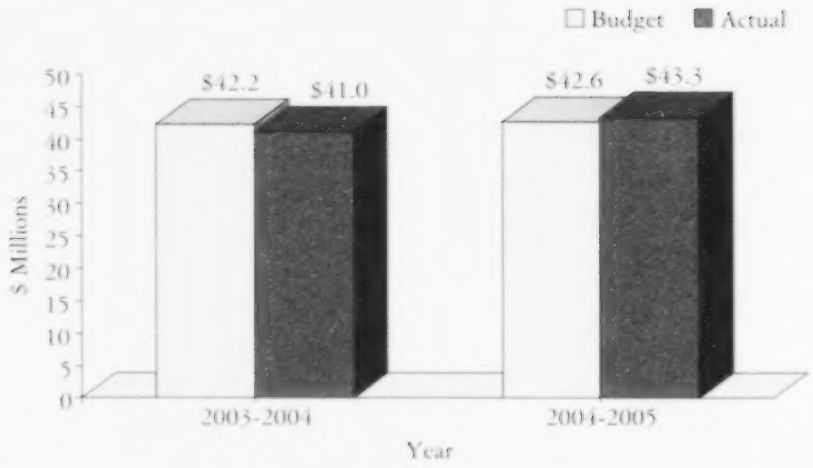
In 2004-05, the department faced several challenges related to the province's wild species, including:

- emerging wildlife diseases, such as West Nile virus, chronic wasting disease (CWD) and tuberculosis and brucellosis in wild bison;
- increasing numbers of adverse human-animal interactions, particularly vehicle collisions with moose, deer and elk populations; and
- increasing demand for recreational opportunities to harvest fish and wildlife resources.

Strategic Approach

- Provide a clear, balanced approach to fish and wildlife management through a policy, legislative and regulatory framework that maximizes the benefits Albertans accrue from these resources.
- Ensure high levels of compliance with fish and wildlife legislation by delivering appropriate education, prevention and enforcement programs; monitoring the use of fish and wildlife resources; and ensuring timely and effective responses to non-compliance.
- Mitigate and reduce negative interactions between wildlife and humans.
- Consult with Aboriginal communities to sustain traditional uses of fish and wildlife resources within an overall framework of conservation.
- Maintain up-to-date management plans for all game species and species at risk to ensure decision-making enhances benefits of these resources to Albertans.
- Promote healthy fish and wildlife populations by working with stakeholders to mitigate, detect and manage threats from disease and invasive alien species.
- Sustain the recreational enjoyment of wildlife resources with appropriate allocation and licensing decisions and by supporting non-consumptive uses.
- Maintain a sustainable commercial fishery through the delivery of the commercial fisheries buyout program.
- Encourage sustainable fisheries by improving the fish stocking system, habitat maintenance and restoration, management information and public education, within budgetary constraints.
- Maintain Alberta's natural advantage through the development of an Alberta approach to biodiversity, including the development and testing of a biodiversity monitoring system for Alberta.

Figure 16
Fish and Wildlife Budget and Expenditures (2003-04/2004-05)



Note: Expenditure data include allocated Ministry support services.

To meet these challenges and achieve the third goal, the department spent $43.3 million in 2004-05, slightly higher than the $42.6 allocated. 2004-05 expenditures were $2.3 million above the 2003-04 total of $41.0 million (Figure 16).

SRD improved the fish and wildlife policy and legislative framework through a Wildlife Regulation that increased hunting opportunities in many parts of the province to address the overabundance of moose, deer and elk populations. The following changes to the regulation became effective in fall 2004, and included:

- increasing the number of hunting licenses;
- lengthening hunting seasons;
- expanding the area in which Sunday hunting is allowed; and
- offering double tags.

SRD completed the second year of a five-year dedicated revenue fund for provincial wildlife programs. The Alberta Professional Outfitters Society (APOS) collects a levy from Alberta's 365 big-game outfitters to generate revenue for this fund. Approximately $1 million will be committed over five years to support projects, such as increasing wildlife inventories for antelope, moose, elk and deer.

The department's enforcement program was very effective in 2004-05. Over 77,000 people were checked for compliance with regulations and legislation. Staff responded to over 3,800 complaints of illegal activities related to fisheries and wildlife legislation and regulations. The compliance rate of those checked was approximately 96%.[16]

The department uses public education activities to promote awareness and understanding of Alberta's wildlife and to proactively enforce compliance to wild species legislation. Educational activities carried out in 2004-05 included:

- continuation of the Wild Thing program in September 2004 and the expansion of educational programs in the Bow Habitat Station;
- expansion of the Fish in Schools (FinS) program to involve approximately 7,000 students from 29 urban and rural schools across the province; and
- completion of a preliminary Exhibit Design Plan for the department's Centennial Legacy project at the Bow Habitat Station.

Bow Habitat Station will officially be opened to the public May 2006.

SRD made substantial efforts to reduce adverse interactions between wildlife and people. Over 17,000 Albertans contacted department staff for advice or assistance about problems or concerns with wildlife. There were four attacks on humans by wildlife in 2004-05 (two black bear, one grizzly bear and one cougar). Fortunately, none of these incidents resulted in fatalities.[16]

In 2004-05, SRD received several recovery plans, including ones for the peregrine falcon, woodland caribou, grizzly bear, burrowing owl and Ord's kangaroo rat. The Minister formally approved the peregrine falcon recovery plan in September 2004. The draft plans for woodland caribou, grizzly bear, burrowing owl and Ord's kangaroo rat are still undergoing departmental review. Recovery programs for piping plover and western blue flag entered their third year of implementation.

The department maintained a precautionary approach to the management of grizzly bears in 2004-05. Efforts included:

- reducing the size and extent of the grizzly bear hunt;
- conducting an innovative DNA census of the grizzly population; and
- supporting the completion of a recovery plan to identify potential conservation practices.

Other recovery plans are still under development. These include:

soapweed	yucca moth
swift fox	trumpeter swan
western silvery minnow	stonecat
St. Mary's sculpin	western spiderwort
greater sage-grouse	northern leopard frog
shortjaw cisco	

Managing threats from disease in Alberta's wildlife populations continued to be a priority for SRD in 2004-05. The following activities were accomplished:

- monitoring the occurrence of West Nile virus in Alberta by testing over 650 birds. Of this total, only nine tested positive for the virus;[17]
- participating on an inter-jurisdictional team to develop interim measures aimed at reducing the risk of disease transmission of tuberculosis and brucellosis in wild bison;
- conducting the seventh consecutive voluntary CWD survey. All of the approximately 6,000 wild deer and elk tested over the past seven hunting seasons have tested negative for CWD;[18]

- participating on an intergovernmental team to develop a National Wildlife Disease Strategy, a Wildlife Disease Centre of Excellence and a National Chronic Wasting Disease Control Strategy; and
- working closely with Alberta Agriculture, Food and Rural Development to resolve issues related to the importation of game farm cervids by allowing imports of live-farmed elk and deer from Saskatchewan for slaughter in federally inspected facilities in Alberta. The number of animals imported under these protocols was minimal.

The fisheries management programs continued to provide recreational opportunities for sport fishing. These programs work towards the recovery of depleted stocks and provide opportunities for recreational anglers where fish stocks had sufficiently recovered. In addition, a barbless fishhooks regulation was introduced and fish stocking was undertaken to help conserve and enhance fish populations.

Approximately 100,000 hunters and 209,000 anglers were active in Alberta in 2004-05, purchasing over $15.5 million worth of recreational licenses.[19]

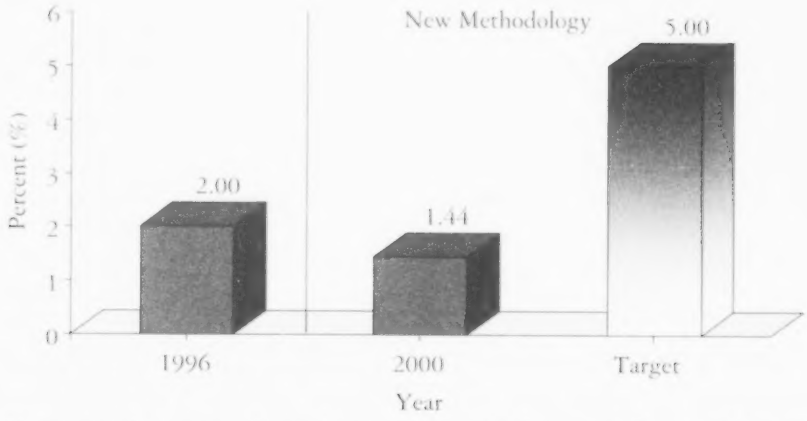
Implementation of the Commercial Fisheries Rationalization Program continued in 2004-05. The number of commercial fishermen dropped from 317 in 2003-04 to 232 as of March 31, 2005.[20] The decline was due to individuals either relinquishing their licenses for compensation payments or transferring their privileges to existing fishermen. The reduction in the number of commercial fishermen increased the efficiency and profitability of the industry. The 2004-05 commercial harvests were over 2.1 million kilograms, with an estimated landed value of $3.4 million[21].

As with other jurisdictions responsible for managing fish and wildlife resources, SRD faces a challenge in measuring success. Some progress was made in 2004-05 toward developing performance measures for the goal of sustaining and enhancing the benefits Albertans receive from wild species. Key objectives relating to wildlife management were identified and SRD investigated potential data sources for relevant performance metrics for these objectives. In the interim, the department continues to report on the Species at Risk measure that demonstrates the percentage of species listed as threatened or endangered under the *Wildlife Act* (Alberta). This measure also provides an indirect measure of the integrity of ecosystems (also termed landscape integrity) (Figure 17)[22].

Performance Measure: Benefits from Wild Species

A new performance metric has been developed to measure the non-consumptive benefits that Albertans receive from wild species. An incidence rate for non-consumptive activities is calculated using a public opinion poll that asks respondents if they have taken any trips over the past 12 months with the primary or secondary purpose of viewing, photographing or feeding wildlife. Based on survey results, it is estimated that 1.1 million Albertans derived non-consumptive benefits from wildlife in 2004-05.[23] The target was to be determined in the 2004-07 Business Plan and has been established as 1.1 million in the 2005-08 Business Plan.

Figure 17
Performance Measures: Healthy Viable Wildlife Populations and Landscape Integrity
% of Species at Risk



Note: The species at risk measure provides an indirect way of gauging the effectiveness of allocation and licensing decisions. The 1996 and 2000 species at risk results cannot be compared, as a different standard was used for status determination and a far greater number of species were assessed (800 species) in Alberta.

Goal 4: The values Albertans receive from rangelands are sustained and enhanced for future generations.

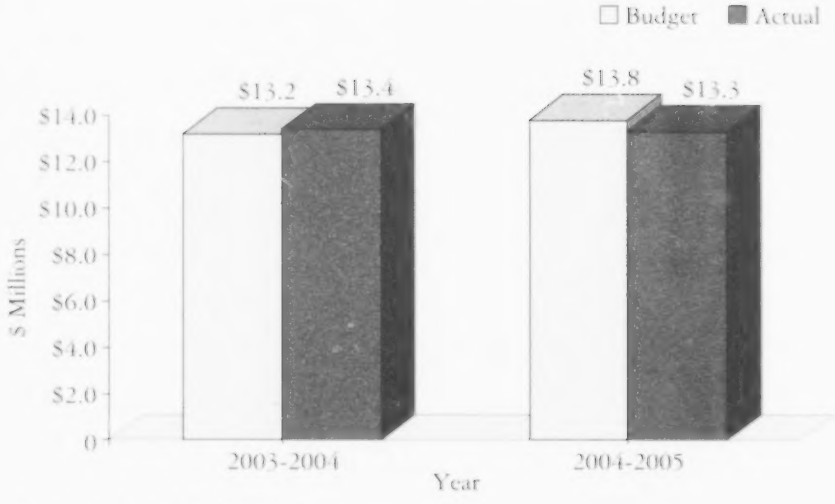
SRD's Rangeland Management Business faced a number of challenges in 2004-05 including:

- utilizing proper management practices as drought continued to be a factor in the sustainability of Alberta's public rangelands; and
- responding to increased pressure for public rangelands from Alberta's ranching communities to support higher livestock inventories.

Strategic Approach

- Provide a clear, balanced approach to rangeland management through a clear and balanced policy, legislative and regulatory framework that maximizes the long-term environmental, social, and economic benefits that Albertans receive from these resources.
- Ensure that Alberta's livestock industry has access to long-term, secure public rangeland grazing.
- Support sustainable range management practices and decisions through coordinated inventories, knowledge transfer and applied research programs.
- Encourage good stewardship practices by monitoring utilization of public rangelands; and
- Manage public rangelands in a manner that supports the co-existence of multiple uses and resource values.

Figure 18
Rangeland Budget and Expenditures (2003-04/2004-05)



Note: Expenditure data includes allocated Ministry support services.

In 2004-05, expenditures in rangeland management remained very similar to 2003-04 levels - $13.3 million vs. $13.4 million (Figure 18).

In 2004-05, the department worked on a number of policy initiatives to improve rangeland management, including:

- developing regulations to implement the management of bison grazing on public land with strict disease testing requirements;
- developing regulations to address livestock grazing in the Rocky Mountain Forest reserves;
- undertaking an assessment of the Grazing Reserves boards to address operational management concerns on provincial grazing reserves;
- continuing a review of the sales policy of suitable grazing lease land and farm development lease lands;
- continuing the Recreational Access Program (Bill 16 and associated regulations), including the development of recreational access management plans;
- implementing an interim set of grazing-timber integration guidelines on agricultural dispositions; and
- contributing to the work of the Provincial Grazing Timber Integration Committee.

Riparian areas are the lands adjacent to streams, rivers, lakes and wetlands, where the vegetation and soils are strongly influenced by the presence of water.

To support the improvement of Alberta's rangeland capacity, the department undertook a number of initiatives, including:

- developing recommendations to address the operational and management concerns on provincial grazing reserves that were identified by the Grazing Reserve boards during the 2003-04 program consultations;
- introducing a new assessment methodology for identifying the health of riparian areas, with assistance from the Cows and Fish program and the Canada-Alberta Beef Industry Development Fund;
- initiating additional research studies in forest rangelands using Global Positioning System (GPS) technology;
- implementing the Range Health Protocol to assist in the comprehensive characterization of lease stewardship; and
- managing the recreational access website with updated leaseholder information and information for recreational users.

Recreational Access to Public Agricultural Land website:

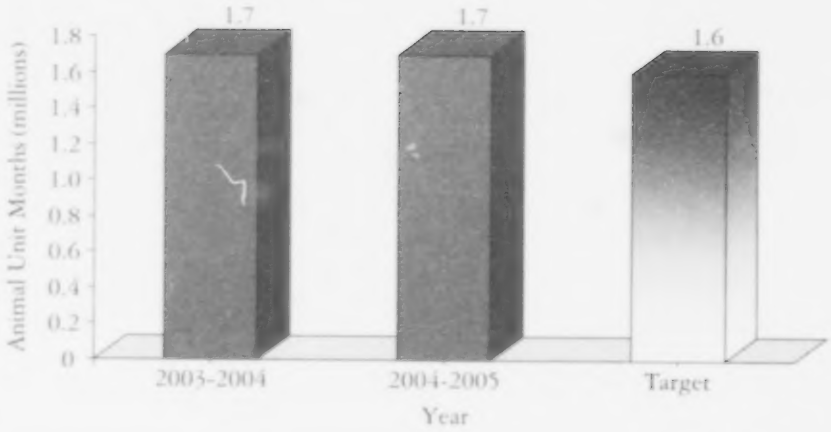
http://www3.gov.ab.ca/srd/land/recaccess/publiclandaccess.html

The department provides access to public rangeland grazing opportunities for Alberta's cattle producers. In 2004-05, approximately 1.7 million animal unit months (AUM) were allocated to leaseholders[24]. This allocation was similar to 2003-04 levels reflecting the continued need to find additional grazing opportunities for Alberta ranchers faced with increased livestock inventories due to the ongoing Canada-U.S. border closure over bovine spongiform encephalopathy (BSE) (Figure 19).

Figure 19
Performance Measure: Public Rangeland Allocation
Animal unit months allocated (millions)

Animal Unit Month:

The amount of forage required to feed one animal unit (one cow with calf at side) for 30 days. This amount is approximately 1,000 pounds of forage dry matter.



Note: For further details, see the section on data sources and methodology.

The department continued to look for alternative grazing resources to maximize the use of Alberta's public lands. In 2004-05, SRD explored the potential to improve additional grazing opportunities in forested areas without negatively affecting potential concurrent or alternate uses. A steering committee and working group were created to consider recommendations from the beef and timber industry for the development of a Range Forestry Integration approach. The committee recommendations are currently under review by the department.

SRD ensured that Alberta's public rangeland resources were managed with future users in mind through the development and delivery of rangeland stewardship and livestock management courses and publications. In 2004-05, four stockmen's range courses were delivered to approximately 90 participants, and 33 range health courses were delivered to approximately 600 participants[25].

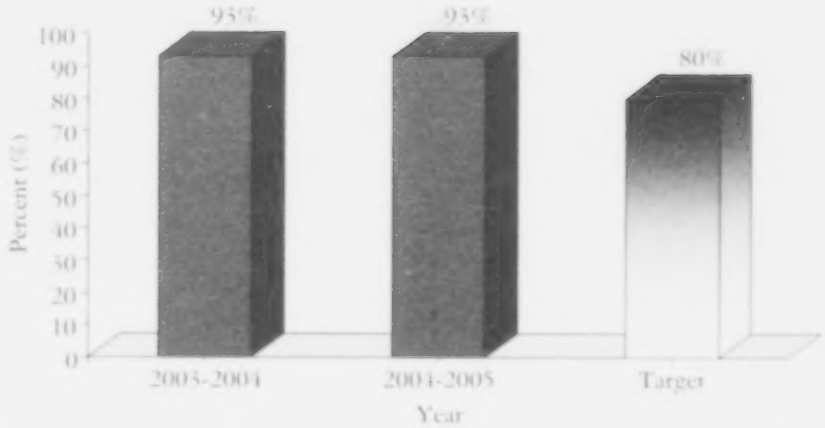
Invasive Plant Strategy:

The goal of the Invasive Plant Strategy is to minimize the environmental, economic and social impacts of invasive plant species to Alberta's natural resources. Invasive alien species are those introduced outside of their natural past or present distribution by human action.

In 2004-05, approximately 93% of the 637 leases that were audited were classified as being "in good standing" according to the assessment criteria in the Rangeland Health Assessment Protocol (Figure 20).[26] This level of performance exceeded the business plan target of 80%, and indicates the success of initiatives undertaken by the department to encourage effective rangeland management. The majority of the seven per cent of non-compliance cases were corrected by providing specific direction, education and information.[27] Two cases of non-compliance resulted in penalties being issued.

The department also completed an Invasive Plant Strategy. This strategy's goal is to minimize the social, economic and environmental threats to and impacts of invasive plant species on Alberta's forests, rangeland and fish and wildlife resources. The strategy recommends a shift from traditional weed management to a more comprehensive and cost-effective focus on invasive plant management. Implementation of the strategy will occur over the next few years.

Figure 20
Performance Measure: Rangeland Sustainability
Percentage of leases in good standing



Note: Performance data are based on leases that expired in 2004-05. Total sample size is 637 leases. For further details, see the section on data sources and methodology.

Goal 5: The values Albertans receive from public lands are sustained and enhanced for future generations.

The increasing demand for access to and use of the provincial landscape continued to be the greatest challenge faced by Alberta's public lands in 2004-05. This demand for access is demonstrated by the substancial increase (39%) in public disposition applications received over the last three years from approximately 12,000 in 2002-03 to approximately 17,000 in 2004-05. In addition, the total number of disposition activities on the land base has increased 14% in the last three years from approximately 176,000 in 2002-03 to approximately 200,000 in 2004-05.[28]

Strategic Approach

- Provide an integrated, balanced approach to land use through a land management policy, legislative and regulatory framework that maximizes the benefits Albertans accrue from public lands.
- Develop and implement policies, guidelines and practices that effectively mitigate the footprint of industrial and commercial development on public land.
- Deliver clear, effective and efficient business processes that enable growth of tourism activities on public lands.
- Encourage sustainable land use practices through integrated land-use planning and decision making.
- Increase opportunities for fair and reasonable participation in the economic opportunities associated with resource development on public lands by working with resource based communities and industry.

In response to these increasing demands and pressures, the department in partnership with other government ministries, is reviewing the Province's land use framework.

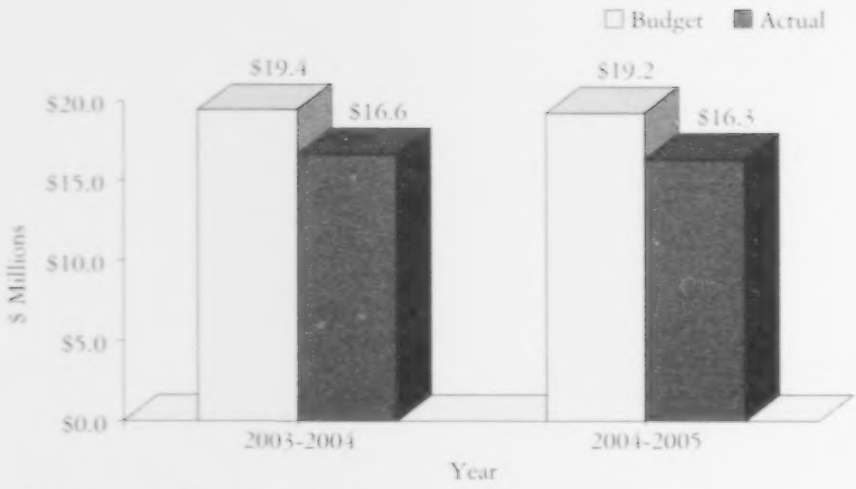
Expenditures for this goal totaled $16.3 million in 2004-05. This spending was nearly $3.0 million below the anticipated budget of $19.2 million and slightly below the 2003-04 expenditures of $16.6 million (Figure 21). A portion of the unused budget is attributable to a decrease in transfers of public land to municipalities below market value.

SRD continued work on improving the land use policy and regulatory framework by setting the direction for a sand and gravel policy in Alberta. Results of this effort in 2004-05 included the clarification of Conservation and Reclamation Plan requirements.

SRD contributed to two processes to support the Government of Alberta's 20-year strategic plan to help reduce the industrial footprint on the province's landscape:

- an Integrated Land Management Program was initiated to minimize industrial, commercial and recreational footprints on public lands. While the program is led by SRD, it has a number of partners from across the Government of Alberta, including the Ministries of Energy and Environment; and
- a Land Use Framework was initiated to develop strategies that promote effective use of the province's land base.

Figure 21
Land Use Disposition Management Budget and Expenditures (2003-04/2004-05)



Note: Expenditure data includes allocated Ministry support services.

Respect the Land

aims to increase awareness of the impacts of outdoor recreation and random camping on the landscape. Education, monitoring and enforcement will continue throughout the province to address concerns related to random recreational and off-highway vehicle use. Respect the Land website: http://www3.gov.ab.ca/srd/land/u_rec_heading.html

The Respect the Land educational program continued in 2004. This program delivers stewardship messages to all users participating in recreational activities on public land.

In 2004-05, several initiatives were undertaken to support integrated land-use planning by government and industry, including:

- drafting the Ghost-Waiparous Access Management Plan and developing a strategy for the final round of stakeholder review.
- implementing the Big Horn Access Management Plan that was introduced in 2003-04;
- leading and co-ordinating the Alberta Tourism Recreational Leasing (ATRL) process for tourism and commercial recreation development by consulting with the appropriate public land and resource management agencies, other provincial government agencies and municipal authorities;
- initiating a background review of the Castle Management plan. A formal plan review is scheduled for 2005;
- participating in the development of the Kakwa-Copton Access Management Plan (south of Grande Prairie), where the oil, gas and forest industries are working with the local community to design common access routes to serve both industry and local community needs;
- facilitating the efforts of the Swan Hills Forestry Communications Group, where forest companies and the public reviewed proposed logging around a recreational lake. The forest companies have deferred logging in an area of high local community concern; and
- supporting the department's participation in resource-based economic activities related to the Aboriginal Policy Framework.

The Green Area

(forested portion) of Alberta comprises most of northern Alberta as well as the mountain and foothills areas along the province's western boundary.

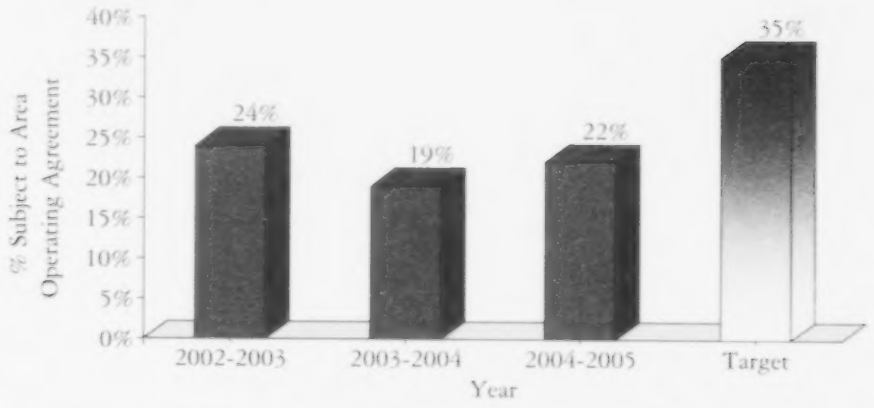
The White Area

(settled portion) consists of the populated central, southern and Peace River areas of the province.

Area Operating Agreements (AOAs) continued to promote integrated development on public land and facilitate a streamlined disposition process. AOAs are currently voluntarily utilized by industry in both the Green (forested) and White (settled) areas of the province. In 2004-05, about 22% of all oil and gas dispositions were subject to an AOA. Although this result was an improvement on the 2003-04 results, it is still below the department target of 35% (Figure 22).[29]

AOAs have been gaining greater acceptance by industry since their introduction in 2002-03. These agreements have been gradually rolled out to all areas of the province and, as their geographic scope increases and industry acceptance and buy-in continue, there will be more opportunities to increase the number of agreements in place.

Figure 22
Performance Measure: Industrial Disposition Planning
Percentage of active oil and gas industrial dispositions subject to area operating agreements



Note: Performance data are based on a random sample of 297 oil and gas dispositions. For further details, see the section on data sources and methodology.

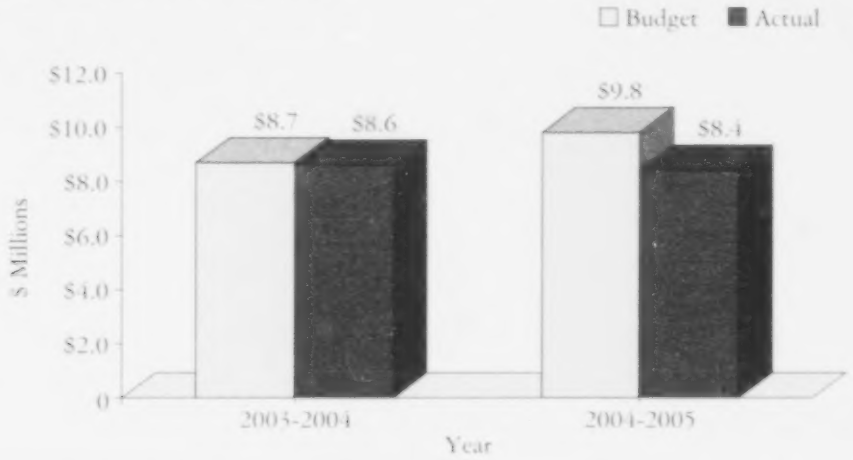
Goal 6: Optimize the long-term benefits (environmental, social and economic) that Albertans receive from public lands through effective, efficient disposition management.

The demands on SRD's disposition management process have increased steadily during 2004-05 due to a booming Alberta economy. The department processed 16,274 industrial applications in 2004-05. This total was 13% higher than the 14,358 industrial applications received in 2003-04 and put significant pressure on the department's disposition management program.[30]

Strategic Approach

- Ensure dispositions for the use of public lands are issued in a timely, effective manner with the appropriate and relevant conditions.
- Monitor existing dispositions to ensure the sustainability of public resources for other users.
- Provide an efficient and effective information management system for dispositions on public lands.

Figure 23
Disposition Services Budget and Expenditures (2003-04/2004-05)

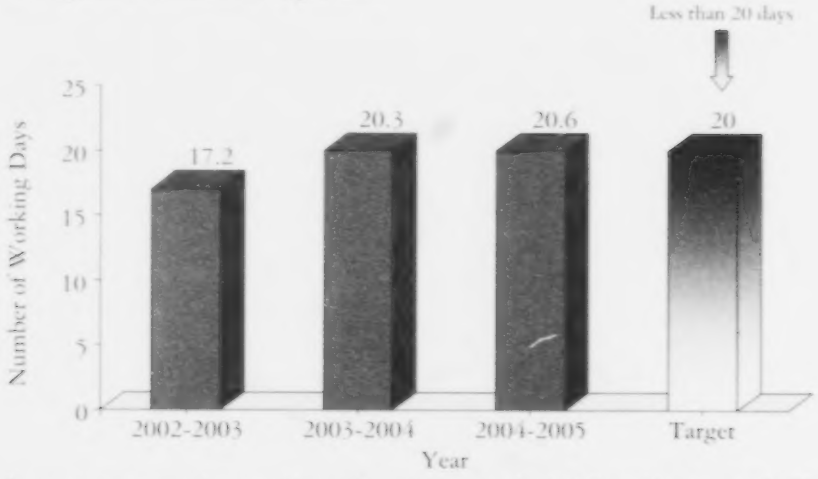


Note: Expenditure data include allocated Ministry support services.

In 2004-05, expenditures in land use disposition management were $8.4 million, which was below the 2004-05 allocated budget of $9.8 million. This spending is comparable to the $8.6 million for 2003-04 (Figure 23). The unused budget is primarily attributable to a dedicated revenue shortfall.

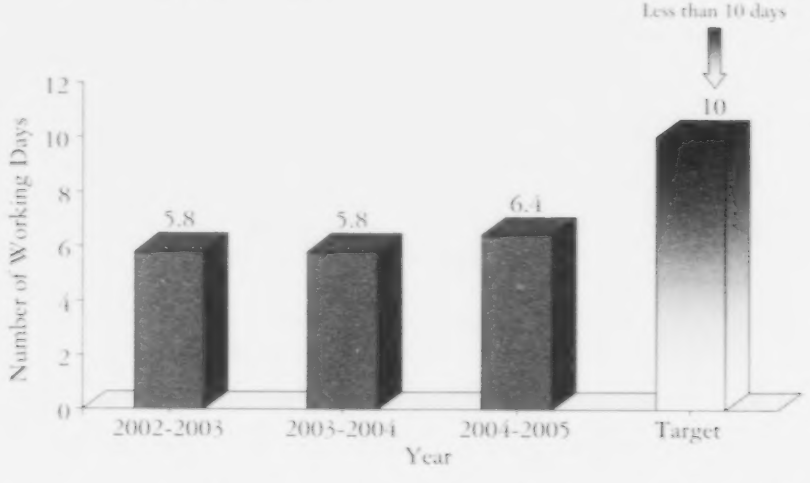
The turnaround time for industrial dispositions increased slightly in 2004-05. This result was achieved despite a significant increase in the number of oil and gas approvals issued and the associated client and business delays throughout the approval process. In 2004-05, the average turnaround time was 20.6 days, which is above the target of less than 20 days.(Figure 24)[31]

Figure 24
Performance Measure: Timely, Efficient Disposition Decisions
Average number of working days for completion of industrial dispositions



The department continued to provide quick service on geophysical disposition approvals. The average number of working days required to process a geophysical disposition was 6.4 days in 2004-05 (Figure 25). This result is well below the business plan target of less than 10 days but is an increase of 0.6 days when compared to the 2003-04 results.[32]

Figure 25
Performance Measure: Timely, Efficient Disposition Decisions
Average number of working days for completion of geophysical approvals



In addition to the timely and efficient issuance of dispositions for the use of public land, the department supported the disposition management strategies in 2004-05 by:

- leading the review of major industrial projects on public lands, including active participation in Environmental Impact Assessment reviews;
- delivering a Compliance Assurance Program for public land use activities across the province. This program is based on the principles of education, prevention and enforcement; and
- initiating a review of the industrial disposition application and review procedures to take place in 2005. Recognizing that resource levels will not increase, this exercise will identify opportunities to reduce department response times through potential process and technological improvements.

Core Business Three - Natural Resources Conservation Board

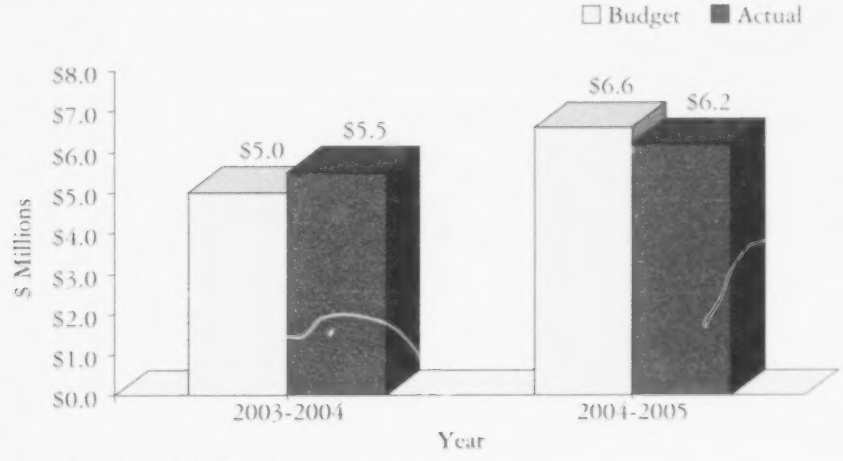
Established in 1991, the Natural Resources Conservation Board (NRCB) is an independent, quasi-judicial regulatory tribunal. The NRCB helps support the vision and mission of the Ministry by conducting open and impartial reviews of major developments that affect Alberta's natural resources. Reviews are conducted on forest industry projects, recreation and tourism projects, metallic and industrial mineral projects, and water management projects.

The challenges faced by the NRCB in 2004-05 were predominantly due to the volume of activity involved in administering the *Agricultural Operation Practices Act* (AOPA).

To demonstrate the advances the NRCB has made in administering both the AOPA and the *Natural Resource Conservation Board Act* (NRCBA), the Board initiated the creation of a performance management framework during 2004-05. This framework determines the output measures in the areas of natural resource project reviews and confined feeding operation applications and compliance processes.

The overall expenditure for Core Business Three in 2004-05 was $6.2 million (Figure 26). This was $0.4 million less than budgeted, but $0.7 greater than the expenditures in 2003-04.

Figure 26
Natural Resources and Conservation Board Budget and Expenditures (2003-04/2004-05)



Note: Expenditure data include allocated Ministry support services.

Goal 7: All elements of the public interest are fully and impartially considered when reviewing major non-energy natural resource projects.

The NRCB, through the *Natural Resources Conservation Board Act* (NRCBA), ensures that where development occurs, it is within the overall public interest and has considered the economic, social and environmental impacts of the proposed project. Project reviews include proposed forest, recreation, tourism, mining or water management developments.

Strategic Approach

- Improve the hearing process to maximize the value of hearings to participants.
- Streamline and improve the energy, environment and resource management regulatory systems in partnership with the Ministries of Energy and Environment.

In 2004-05 the NRCB initiated the review of Agrium Products Inc.'s phosphogypsum stack extension at Redwater. The board also reviewed the Muskeg Valley Quarry project proposed by Birch Mountain Resources Ltd. for the Fort McMurray region. The board determined that a hearing was not necessary to complete the review.

The NRCB continued to improve its hearing process for major non-energy natural resource projects to maximize the value of hearings to participants. Hearings focussed on matters important to the participants and necessary for a determination by the board. Secondary issues may be dealt with through an appropriate dispute resolution process.

The NRCB also continued to streamline and improve the regulatory management of energy, environmental and resource projects, in partnership with Alberta Energy and Alberta Environment, by co-ordinating many of the technical review components and fostering a collaborative approach to the project reviews.

The NRCB initiated a performance management framework during 2004-05 for NRCBA reviews. One performance measure the board will use to assess its management of these reviews is the average number of working days from the completion of the record to the date the decision is released.

Goal 8: Alberta's confined feeding industry is regulated to ensure that its development balances the interests of the industry, the environment and the surrounding communities.

The NRCB is mandated by the *Agricultural Operation Practices Act* (AOPA) to regulate the confined feeding industry in Alberta. The AOPA is provincial legislation that falls under Alberta Agriculture, Food and Rural Development. The board carries out its work with Confined Feeding Operations (CFOs) by assessing proposed new and expanded operations, enforcing compliance with the *Act* and conducting board reviews of field decisions.

Strategic Approach

- Streamline the application process by clarifying information gathering methods and requirements.
- Review proposals with consideration to social, environmental and economic interests.
- Enhance the existing compliance function to ensure timely and effectively follow-up on complaints, strengthen ongoing surveillance of permitted operations, and implement appropriate enforcement responses to identified non-compliance issues.
- Enhance a communication and outreach initiative to relevant stakeholders in the confined feeding operations industry to improve awareness of regulations, increase overall compliance, and reduce the number of operations having unacceptable impacts on their neighbours and the environment.
- Use facilitation or mediation to assist parties in resolving issues prior to going to a hearing.

In the late spring of 2004, several amendments to the AOPA were proclaimed. These amendments, combined with the strategic activities of the NRCB, improved the delivery of the regulatory management of CFOs in Alberta during 2004-05.

The NRCB undertook a number of CFO regulation activities in 2003-04 (Table 4).

The NRCB made considerable advances on the performance management framework for the regulatory management of CFOs in Alberta. Measures being examined by the NRCB are in the areas of AOPA applications and compliance.

Table 4
NRCB CFO Regulation Activities (2004-05)

Category	Annual Count
Applications Received in 2004-05*	
Approval Size (larger)	65
Registration Size (smaller)	36
Authorizations (construction or expansion of manure storage facility)	66
Subtotal-Applications Received	**167**
Decisions issued*	
Applications approved	105
Applications denied	20
Applications withdrawn	35
Permits cancelled at operator's request	1
Subtotal-Decisions	**161**
Complaint Management	
Complaints Received	904
Resolved - no further action required	878
Still under investigation	26
Enforcement Orders	
Non-compliance with AOPA regulations	9
Creating a risk to the environment/inappropriate disturbance	9
Non-compliance with conditions in permits	14
Subtotal-Enforcement Orders	**32**

* Includes applications for amendments to existing permits

Core Business Four: Surface Rights and Land Compensation Management

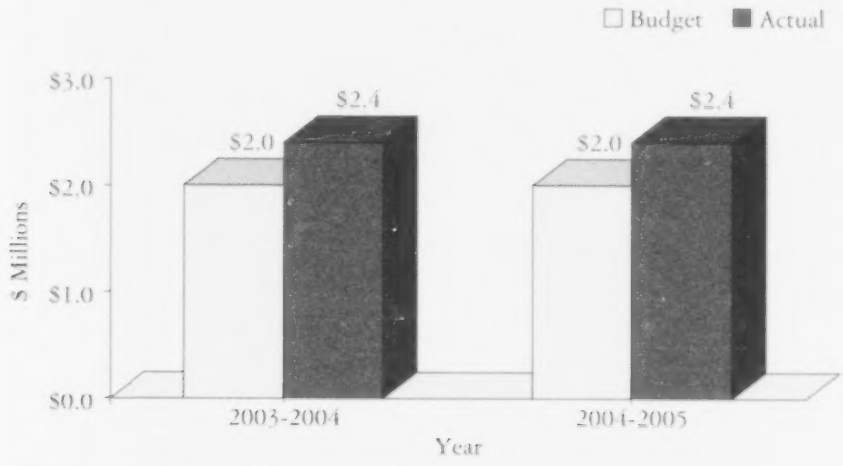
The Surface Rights Board (SRB) and the Land Compensation Board (LCB) deliver Core Business Four. While these boards are separate entities with individual legislation (*Surface Rights Act*, *Expropriation Act* and *Municipal Government Act*), both organizations have shared board membership and office administration.

The SRB's and LCB's mutual and continual challenge is to effectively and efficiently manage the incoming calls from landowners and operators who are seeking information concerning any number of issues, from compensation damages to making individual applications.

In 2004-05, the two boards jointly embarked on the creation of performance measures that would illustrate the strength and effectiveness of their hearing processes. These measures are further discussed under each respective goal.

The Surface Rights and Land Compensation Boards exceeded their budgetary allotment by approximately $0.4 million, spending $2.4 million total in 2004-05. This amount is comparable to 2003-04 expenditure levels (Figure 27). The rationale for exceeding the proposed budget was due to additional payments by the Land Compensation Board to landowners required under Section 36 of the *Surface Rights Act*.

Figure 27
Surface Rights and Land Compensation Management Budget and Expenditures (2003-04/2004-05)



Note: Expenditure data include allocated Ministry support services.

Goal 9: Fair access to private and Crown land for energy and oil and gas industry activities is provided.

The Surface Rights Board

The Surface Rights Board (SRB) is a quasi-judicial board authorized to allow entry on private and public land for energy activities. The board also sets the compensation payable by energy companies to persons affected by entry. The SRB tables its own annual report in the Legislature every spring, as required by the *Surface Rights Act*. The SRB acts as an arbitration board with regard to its four strategies.

The SRB also initiated work on its performance management framework that will be reported on in 2005-06. One measure that has been examined is the percentage of appeals on decisions issued by the SRB that were upheld by the Courts.

Strategic Approach

- Issue Right of Entry Orders to energy companies permitting activity on private or crown lands.
- Determine compensation for right of entry and review compensation throughout the lifetime of the energy activity.
- Settle disputes and determine compensation for damages arising from energy activities.
- Recommend payment of compensation to landowner by the Minister of Finance where the operator defaults.

Goal 10: Compensation is provided where an authority expropriates private property.

Land Compensation Board

The Land Compensation Board (LCB) is a quasi-judicial arbitration board governed by the *Expropriation Act*, the *Municipal Government Act* and other statutes. It is authorized to hear compensation disputes where private property is expropriated by an authority. Authorities include municipalities, the provincial Crown and utility companies who require land to advance projects such as road rights of way, parks and power plants. Disputes before the board vary depending on the type of property and relocation costs.

Strategic Approach

- Assessing compensation amounts to be payable to landowners.
- Enhancing public awareness and openness of Board proceedings by developing an information website and on line access to Board decisions.

LCB Website:

http://www.landcompensation.gov.ab.ca/LCB/

The LCB investigated a performance management framework that will be reported on in 2005-06. One measure the LCB may report on is the percentage of appeals on decisions issued by the LCB that were upheld by the Courts.

Data Sources and Methodology for Performance Measures

All data for performance measures in Core Business One are derived from the Fire Information Resource System (FIRES). The FIRES system contains all particulars for each wildfire incident that is gathered by the Wildfire Management Area (WMA) fire centres.

While data are collected and entered on a year-round basis, results reported in the annual report are limited to wildfires assessed during the legislated fire season (April 1 to October 31) to allow for year-to-year comparisons.

Core Business 1: Wildfire Managemnent

Prevention
Number of human caused fires within Alberta's Forest Protection Area
Number of industry-caused fires

A wildfire's cause is initially classified into human or lightning causes. The human-caused category is then subdivided into:

- Industry-caused wildfires: This classification includes wildfires caused by activities of the forest industry, railway and other industries (e.g., mining, oil and gas, commercial tourism and utility).
- Other human-caused: This classification includes incendiary (wilfully caused wildfires), recreation, residents and other miscellaneous human causes.

Effective April 1, 2004, Sustainable Resource Development implemented changes to the methodology used to count the number of wildfires in order to allow Alberta's statistics to be comparable to the data gathered in other jurisdictions. The department is required to assign a wildfire number to any incident that can be defined as a wildfire. Enforcement-type incidents such as the following are now included in the total number of wildfires:

- starting a fire without a permit;
- burning material in unsafe conditions; and
- operating outside the parametres of a fire permit.

As a result, 2004 data is not comparable to the target or to the previous years' data. The target for human-caused and industry-caused fires was changed as a result and in the 2005-08 Business Plan are less than 650 human-caused and less than 100 industry-caused wildfires.

Goal 1: Alberta's forests and forest communities are protected from wildfires.

Detection
Percentage of wildfires detected at 0.1 hectares or less in size, and percentage of detected wildfires reported within 5 minutes or less, by lookout towers and air

Detection results compare the number of wildfires detected by SRD's lookout and air patrols at 0.1 hectares in size or less and reported by SRD's lookout and air patrols within five minutes of detection, against all wildfires reported specifically by lookout towers and air patrols during the same period.

Response
Percentage of wildfires actioned before they reach 2.0 hectares or less in size

Response results are calculated by comparing the number of wildfires whose initial firefighting began at two hectares in size or less, against all wildfires recorded during the same period.

Containment and Suppression
Percentage of wildfires contained at 4.0 hectares or less in size, and percentage of wildfires contained within the first burning period

Containment size or burning period results compare wildfires that have a "being held" or "under control" status before reaching four hectares or less in size or by the first burning period (i.e. before 10 a.m. the following day), respectively, against all wildfires recorded during the same period. These measures are mutually exclusive; they are two different and distinct methods to measure fire containment progress.

Core Business 2: Natural Resource and Public Land Management

Landscape Integrity
% of Species at Risk

Information is gathered on each species and used to rate seven key criteria to arrive at an assessment of extinction/extirpation risk. The criteria used include population size, number of occurrences, distribution, population trend, distribution trend, threats to population and threats to habitat. Each criterion is rated on a scale from A to D, with A being of the greatest concern and D the least. After reviewing the ranks, the species is assigned one of the following status categories: Extirpated/Extinct, At Risk, May Be At Risk, Sensitive, Secure, Undetermined, Not Assessed, Exotic or Accidental/Vagrant. This information is based on the department's contribution to the *Wild Species 2000: The General Status of Species in Canada* report published in April 2001.

Of the 832 species that were assessed, 12 (1.44%) were classified as at risk.

Public Consultation and Transparency
% of Albertans who agree that there are opportunities to provide feedback on resource decisions

An integrated outcome statement has been developed to reference the need to meet Albertans' need for accountability, transparency and opportunities to be consulted on resource management decisions. The percentage of Albertans who agree they have had opportunities to participate in a public process related to the management of Alberta's natural resources is calculated using a public opinion poll. The exact wording of the question is:

In the past 12 months, have you heard about opportunities to participate in a public process related to the management of Alberta's renewable resources?

The number of respondents who answered "yes" to the question is then divided by the total number of weighted respondents polled. The telephone survey was administered by Ipsos-Reid to 731 Albertans 18 years of age and older within households randomly selected across Alberta. The sample was drawn in proportion to the populations in the major centres of the province.

specifically northern Alberta, Edmonton, central Alberta, Calgary and southern Alberta within the province based on information from Statistics Canada 2001 Census Data. The survey was conducted by telephone from May 20 to 24, 2005.

The results are considered to be accurate to within ±3.6%, at the 95% confidence level.

Goal 2: The values Albertans receive from forest and forest landscapes are sustained and enhanced for future generations.

Timber Allocation
Annual allowable cut and harvest

The annual allowable cut (AAC) is the amount of timber that can be harvested on a sustainable basis (in accordance with the policy of sustained yield) within a defined planning area. Recreation areas, wildlife reserves and stream buffers are excluded from the AAC calculation. The AAC is determined on either an individual forest management unit or specific forest management agreement area basis, which are compiled into an ACCESS database to determine the total figure for the entire province.

Data from the Timber Production Reporting System are used to determine the harvest level. Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest levels because it does not contribute to the AAC.

A five-year rolling average is used to report the provincial AAC and harvest levels.

Forest Sustainability
Average age (years) of forest management plans in the green area

Companies that have a forest management agreement are required to develop forest management plans. Non-FMA holders also have the ability to file forest management plans and are included in the data. These plans are developed in conjunction with Sustainable Resource Development and other stakeholders in planning teams. Forest management plans are developed using the latest data and research while balancing current economic, environmental and social considerations. Regularly revising forest management plans ensures Alberta's forests are being managed sustainably.

Calculating the average age of all forest management plans is weighted by the area of its Forest Management Unit (FMU), an administrative unit of forest land designated by the Minister, as authorized under Section 14(1) of the *Forests Act*). FMAs that have not yet developed their plans have been considered to be approved as of 1986. The larger the FMU, the greater weighting is used towards calculating the overall age of management plans.

Prior year results have been restated to account for subsequent data received.

Timber Revenue
% of timber royalties owed to the province collected

Timber dues in the Province are determined through a self-assessing system which requires the users of the timber resources to report the volume of timber harvested and the amount of associated timber dues payable on a regular basis. Dispositions are issued allowing for the harvest of the timber and through the use of regular timber production audits and sales reconciliations, verification of the self-assessments are completed.

The Timber Production and Audit Unit of SRD complete audits on a percentage of tenures such as quotas and forest management agreements through the assessment of risks associated with each disposition holder. Risk assessments are completed using a system-based approach which evaluates a company's operations, identifying areas where there may be a high degree of error for reporting timber production and payment of royalties. Invoices are issued for the unpaid/underpaid timber dues and payment is received on an ongoing basis. Revenue relating to the current fiscal year that is collected after the cut-off date is accrued in the financial statements.

Based on the audited financial statements of SRD, bad debts are determined using the following methodology. Invoices that are not paid after a determined date are then sent to another provincial agency, which employs a combination of collection agencies and courts. If, after a certain period, the Crown is not successful at collecting the debt owed to the Province, then this debt is "written off" as bad debt and identified in the financial statements during the fiscal year that it is written off.

The measure is calculated by dividing the assessed revenue over assessed revenue excluding the three-year rolling average for bad debts. The timber revenue performance measure has not been included in the 2005-08 Business Plan but will be reported on in the future.

Goal 3: The values Albertans receive from wild species are sustained and enhanced for future generations.

Healthy Viable Wildlife Populations
% of Species at Risk

Information is gathered on each species and used to rate seven key criteria to arrive at an assessment of extinction/extirpation risk. The criteria used include population size, number of occurrences, distribution, population trend, distribution trend, threats to population and threats to habitat. Each criterion is rated on a scale from A to D, with A of the greatest concern and D the least. After reviewing the ranks, the species is assigned to a status category: Extirpated/Extinct, At Risk, May Be At Risk, Sensitive, Secure, Undetermined, Not Assessed, Exotic, or Accidental/Vagrant. This information is based on the department's contribution to the *Wild Species 2000: The General Status of Species in Canada* report published in April 2001.

Of the 832 species that were assessed, 12 (1.44 percent) were classified as at risk.

Benefits from Wild Species
Albertans who reported watching and enjoying wildlife (millions)

A significant portion of the department's efforts is devoted to identifying the allocation of fish and wildlife resources to recreational use. The department works to ensure that this resource is available for the long-term use and benefits of Albertans. Identifying the volumes of Albertans who enjoy the use of these resources, and estimating the hard, economic benefits that are derived from the enjoyment of these resources, emphasizes the importance and value of Alberta's fish and wildlife resources.

The volume of non-consumptive users of wild species in Alberta is calculated using a public opinion poll. The question is based on a version developed by Statistics Canada in the study "The Importance of Nature to Canadians". The exact wording and primary question is as follows:

In the past 12 months, did you take any same-day or overnight trips within Alberta where the main purpose was to watch, feed, photograph or study wildlife? (For example, trips for birdwatching, wildlife photography, etc…)

If respondent answered "no" to the above question, then they were asked the following secondary question:

In the past 12 months, did you take any same-day or overnight trips within Alberta where watching, feeding, photographing or studying wildlife were a secondary reason for your trip? (For example, trips for bird watching, wildlife photography, etc…)

The number of respondents who answered "yes" to either of the two questions is then divided by the total number of weighted respondents polled. This number is then multiplied by the number of Albertans 18 years and older. The telephone survey was administered by Environics Research Group to 509 Albertans 18 years of age and older within households randomly selected across Alberta. The sample was drawn in proportion to the populations of 12 urban centres and three rural regions within the province based on information from Statistics Canada 2001 Census Data. The survey was conducted by telephone from September 15 to 22, 2004.

The results are considered to be accurate to within ±4.3%, at the 95% confidence level.

Goal 4: The values Albertans receive from rangelands are sustained and enhanced for future generations.

Public Rangeland Allocation
Animal unit months allocated (millions)

A majority of the data for calculating the number of animal unit months (AUM) allocated originates from the department's Geographic Land Information Management and Planning Systems (GLIMPS). Allocation data are also found in the Land Standing Automated System (LSAS), and, to a limited extent, hard copy files (for AUMs associated to the permits located at the Camp Wainwright grazing site).

The measure is calculated by adding all AUMs from the various data sources.

Rangeland Sustainability
Percentage of leases in good standing

The department's staff thoroughly reviewed a random sample of 637 leases for overall rangeland health and management practices employed by the leaseholder. Based on this assessment, the staff would assign a status of "good" or "not good," which would be recorded in the department's GLIMPS information system.

The measure was calculated by dividing the total number of leases that were surveyed and found to be rated as "good" by the entire 637 leases that were surveyed. Results based on 637 reviews are considered accurate to within ±3.9%, at the 95% confidence level.

Goal 5: The values Albertans receive from public lands are sustained and enhanced for future generations.

Industrial Disposition Planning
Percentage of active oil and gas industrial dispositions subject to area operating agreements

A random sample of 297 oil and gas dispositions (i.e., Mineral Surface Lease, License of Occupation and Pipelines) that were active in 2004-05 were reviewed to determine if they were subject to an Area Operating Agreement (AOA). The total number of dispositions in the sample that were found to be subject to an AOA was divided by the total sample size. Results that are based on the sample size of 297 are considered to be accurate to within ±5.7%, at the 95% confidence level.

The 2003-04 data were examined by application date and of the 2004-05 data were examined by approval date. While this is a different method of presenting the data, the degree of comparability is similar. In calculating the average days of applications completed in 2004-05, 91 out of 10,485 applications were not included in the data results.

Goal 6: Optimize the long-term benefits (environmental, social and economic) that Albertans receive from public lands through effective, efficient disposition management.

Timely, efficient disposition decisions
Average number of working days for completion of industrial dispositions

Applications for industrial dispositions on public lands are sent to department staff for review, and then entered into the Land Standing Automated System (LSAS). LSAS automatically tracks and calculates the total time it takes to issue an approval for an industrial disposition. The number of working days (Monday to Friday, excluding public sector holidays) spent approving dispositions is then divided by the number of dispositions approved.

Average number of working days for completion of geophysical dispositions

Applications for geophysical dispositions are sent to Ministry staff for review and then entered into the Application Disposition Process and Tracking (ADEPT) system. ADEPT automatically tracks and calculates the total time it takes to issue an approval for a geophysical disposition. The number of working days (Monday to Friday, excluding public sector holidays) spent approving dispositions is then divided by the number of geophysical dispositions approved.

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2 Forest Protection Division, Wildfire Services Branch.

3 Forest Protection Division, FireSmart Project Tracking System, 2004.

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8 Alberta Sustainable Resource Development, *FIRES Database, 2004*.

9 Alberta Sustainable Resource Development, *FIRES Database, 2004*.

10 Alberta Sustainable Resource Development, *FIRES Database, 2004*.

12 Alberta Sustainable Resource Development, *Public Consultation and Transparency Measure Data*, 2004.

12 Alberta Sustainable Resource Development, *2004 Annual Report: Forest Health in Alberta*, 2004.

13 Alberta Sustainable Resource Development, *Timber Allocation Measure Data*, 2004.

14 Alberta Sustainable Resource Development, *Forest Sustainability: Forest Management Plans Measure Data*, 2004.

15 Alberta Sustainable Resource Development, *Timber Revenue Measure Data*, 2004.

16 Alberta Sustainable Resource Development, *ENFOR Provincial Compliance Summary 2003, File Year*, 2004.

17 Alberta Sustainable Resource Development, *Alberta West Nile virus Wild Bird Surveillance*, 2004.

18 Alberta Sustainable Resource Development, *Chronic Wasting Disease Update*, 2004.

19 Alberta Sustainable Resource Development, *Fisheries Management Information System - Commercial Fishing Licencing database summary report*, 2004.

20 Alberta Sustainable Resource Development, *Fisheries Management Information System - Commercial Fishing Licencing database summary report*, 2004.

21 Alberta Sustainable Resource Development, *Recreational Licensing Management System: License Type Counts*, 2004.

22 Alberta Sustainable Resource Development, *Landscape Integrity and Healthy Viable Wildlife Populations Measure Data*, 2004.

23 Alberta Sustainable Resource Development, *Benefits from Wild Species Measure Data*, 2004.

24 Alberta Sustainable Resource Development, *Public Rangeland Allocation Measure Data*, 2004-05.

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27 Alberta Sustainable Resource Development, *Lease Management Records maintained by regional Rangeland management offices*, 2004.

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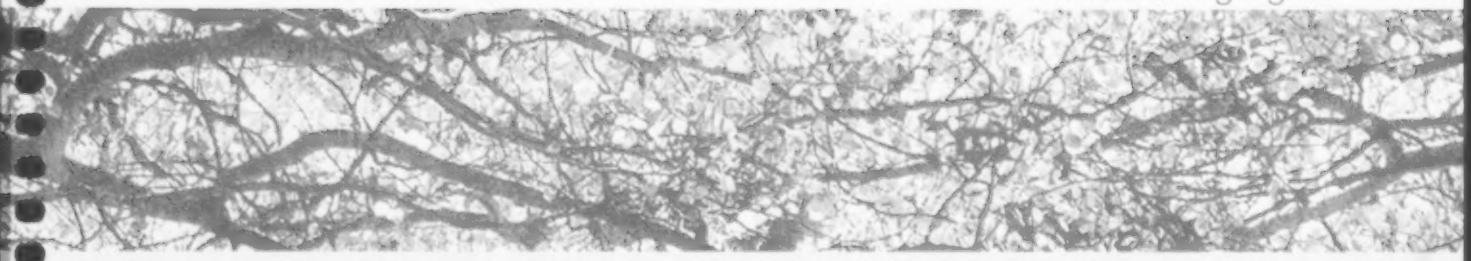
30 Alberta Sustainable Resource Development, *Public Lands & Forests Divisional Statistics 2003/2004 and 2004/2005*, 2004.

31 Alberta Sustainable Resource Development, *Timely, Efficient Disposition Decisions Measure Data*, 2004.

32 Alberta Sustainable Resource Development, *Timely, Efficient Disposition Decisions Measure Data*, 2004.



Wildfire Emergency

Adverse weather conditions resulted in severe drought in parts of Alberta's Forest Protection Areas including the northern third of the province, which received no significant moisture during the 2004-05 fire season. These conditions contributed to wildfires that posed a significant threat to communities. A forest fire emergency was declared and, as a result, the Ministry received increased funding of $124.0 million in supplementary estimate for fighting wildfires.

Mountain Pine Beetle Infestation

Significant mountain pine beetle populations were detected in British Columbia, within 50 km of the Alberta-B.C. border, as well as spot infestations along the Eastern Slopes. These infestations threatened two million hectares of mature pine forests along the Eastern Slopes, representing 30 percent of the province's coniferous Annual Allowable Cut (AAC). The estimated economic value of timber at risk is $23 billion. As a result, the Ministry received an additional $1 million to address increased detection and control activities of mountain pine beetle infestations.

Revenue from Premiums, Fees and Licenses

Revenues collected for premiums, fees and licenses were $16.2 million higher than the prior year. The increase was due primarily to fees, permits, and dues collected for timber, lands and grazing. Softwood lumber dues rates were higher compared to the prior year. Veneer dues rates were also higher than anticipated as they approached historic levels in the first half of the year compared to the prior year. Timber harvesting activity levels remained at the same level as forecasted. The number of surface leases approved was higher compared to the prior year as a result of higher than expected activity levels in the oil and gas sector.

Softwood Lumber Agreement Settlement

The Ministry received $7.1 million from the Government of Canada as part of its final distribution of export permit fees collected under the 1996-2001 Canada-U.S. Softwood Lumber Agreement. As part of the Agreement, the federal government collected fees on

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certain exports of softwood lumber to the United States to administer the Agreement and to represent Canada's interests in international legal challenges to the regime for controlling softwood lumber exports to the United States.

Financial Processes

During the 2004-05 fiscal year, the department pursued a number of financial initiatives:

- Continued optimization of the Government of Alberta's financial information systems for budgeting, forecasting, and expenditures.
- Maintained partnership with Alberta Corporate Services Centre to improve processes and define roles and responsibilities in the areas of information technology, human resources, administration, and finance.
- Continued to revise financial policies and procedures to ensure that best practices and Auditor General's recommendations are implemented to strengthen internal controls and mitigate risk.

AUDITOR GENERAL
Alberta

Ministry of Sustainable Resource Development

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Sustainable Resource Development as at March 31, 2005 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 20, 2005

Consolidated Statement of Operations

Year ended March 31, 2005
(in thousands)

	2005		2004
	Budget	Actual	Actual
Revenues			
Transfers from the Government of Canada	$ 3,258	$ 4,075	$ 3,624
Investment Income	4,860	2,799	2,744
Premiums, Fees and Licenses	115,299	188,309	172,117
Other Revenue	6,031	7,519	6,211
	129,448	202,702	184,696
Expenses (Schedule 1)			
Wildfire Management	74,005	194,532	204,940
Natural Resources and Public Land Management	114,101	107,617	104,991
Natural Resources Conservation Board	6,636	6,193	5,568
Surface Rights and Land Compensation Boards	2,001	2,337	2,350
Ministry Support Services	6,875	6,697	6,289
Environment Statutory Programs	5,005	4,065	2,362
	208,623	321,441	326,500
Statutory			
Valuation Adjustments			
Provision for (Recovery of) Doubtful Accounts	655	(77)	48
Provision for Vacation Pay	400	521	613
	1,055	444	661
	209,678	321,885	327,161
Gain on Disposal of Capital Assets	4,000	2,202	656
Net Operating Results	$ (76,230)	$ (116,981)	$ (141,809)

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Financial Position

As at March 31, 2005
(in thousands)

	2005	2004
ASSETS		
Cash (Note 3)	$ 165,568	$ 193,543
Accounts Receivable (Note 4)	22,834	41,997
Advances	1	7
Inventories	4,997	6,387
Tangible Capital Assets (Note 5)	175,111	160,566
	$ 368,511	$ 402,500
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 31,498	$ 29,228
Unearned Revenue	34,896	36,838
	66,394	66,066
NET ASSETS		
Net Assets at Beginning of Year	336,434	235,611
Net Operating Results	(116,981)	(141,809)
Net Transfer from General Revenues	82,664	242,632
Net Assets at End of Year	302,117	336,434
	$ 368,511	$ 402,500

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2005
(in thousands)

	2005	2004
Operating Transactions		
Net Operating Results	$ (116,981)	$ (141,809)
Non-cash items included in Net Operating Results		
Amortization	4,361	4,356
Consumption of Inventory	2,646	2,520
Write-down	25	-
Loss (Gain) on Disposal of Capital Assets	(2,227)	(656)
Valuation Adjustments	444	661
	(111,732)	(134,928)
Decrease in Accounts Receivable	19,241	3,075
Decrease in Advances	6	10
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,749	(1,597)
Increase (Decrease) in Unearned Revenue	(1,942)	3,591
Cash Provided by (applied to) Operating Transactions	(92,678)	(129,849)
Capital Transactions		
Acquisition of Capital Assets	(9,126)	(16,484)
Acquisition of Inventory	(1,257)	(1,550)
Disposal of Capital Assets	2,339	702
Transfer of Capital Assets from other Government Entities	(9,917)	(6,805)
Cash Provided by (applied to) Capital Transactions	(17,961)	(24,137)
Financing Transactions		
Net Transfer from General Revenues	82,664	242,632
Increase (Decrease) in Cash	(27,975)	88,646
Cash, Beginning of Year	193,543	104,897
Cash, End of Year	$ 165,568	$ 193,543

The accompanying notes and schedules are part of these financial statements.

Notes to the Consolidated Financial Statements
Year Ended March 31, 2005
(in thousands)

Note 1 Authority and Purpose

The Minister of Sustainable Resource Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which the organizations operate is also listed. Together, these organizations form the Ministry of Sustainable Resource Development (the Ministry).

Organization	Authority
The Department of Sustainable Resource Development	*Government Organization Act*
Environmental Protection and Enhancement Fund	*Environmental Protection and Enhancement Act*
Natural Resources Conservation Board	*Natural Resources Conservation Board Act*

The Ministry's core businesses are:

Wildfire Management – protects the multiple benefits received from forests within the Forest Protection Area of the province.

Natural Resource and Public Land Management – ensures natural resources and public lands are managed in a sustainable manner.

Natural Resources Conservation Board – ensures that where development occurs, it is within the overall public interest having considered the economic, social and environmental impacts of the proposed project.

Surface Rights and Land Compensation Management – authorizes entry to private and Crown land for energy activities and sets the compensation payable by the energy company to the persons affected by the entry, and determines the amount of compensation payable to a landowner or tenant whose land is taken by an authority such as a municipality or the province for public works or projects.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Ministry of Sustainable Resource Development, for which the Minister of Sustainable Resource Development is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

These financial statements include activities of the Department of Sustainable Resource Development, the Environmental Protection and Enhancement Fund, and the Natural Resources Conservation Board.

(b) **Basis of Financial Reporting**

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote.

If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses of the program.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 3.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other tangible capital assets is $5 (2004 - $15). All land is capitalized.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

Note 3 Cash

Cash mainly consists of a deposit in the Consolidated Cash Investment Trust Fund (CCITF). CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital.

The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by CCITF have an effective market yield of 2.79% per annum (March 31, 2004, 2.11% per annum).

	2005	2004
CCITF Cash	$ 160,817	$ 191,040
Cash in Transit	3,094	1,220
Other Cash	1,657	1,283
	$ 165,568	$ 193,543

Note 4 Accounts Receivable

	2005			2004
	Gross Amount	Allowance For Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	$ 28,671	$ 5,837	$ 22,834	$ 41,997

Accounts receivable are unsecured and interest bearing at various rates.

Note 5 Tangible Capital Assets

	2005				2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General Capital Assets:					
Land	Infinite	$ 117,180	$ –	$ 117,180	$ 107,270
Buildings	40 years	30,215	14,248	15,967	14,777
Equipment	3-10 years	31,340	8,785	22,555	17,829
Computer Hardware and Software	5-10 years	16,340	8,917	7,423	6,693
Other	5-24 years	18,538	12,978	5,561	6,498
Infrastructure Assets:					
Land Improvements	15-40 years	44,237	38,978	5,259	6,203
Highways and Roads	20-40 years	5,976	4,886	1,090	1,215
Dam and Water Management Structures	20 years	97	21	76	81
		$ 263,923	$ 88,813	$ 175,111	$ 160,566

Land includes land acquired for building sites, infrastructure and other program use.

Equipment includes office, laboratory, vehicles, heavy, mobile and fire protection equipment.

Highways and roads consist of original pavement, roadbed, drainage works and traffic control devices. Other includes aircraft and aircraft engines.

Changes to tangible capital assets were as follows:

	2005	2004
Net Book Value at Beginning of Year	$ 160,566	$ 141,679
Tangible Capital Assets Purchased	9,126	16,484
Disposals and Write Downs	(137)	(46)
Transfer from other Government Entities	9,917	6,805
Amortization of Tangible Capital Assets	(4,361)	(4,356)
Net Book Value at End of Year	$ 175,111	$ 160,566

Note 6 Contractual Obligations

	2005	2004
Capital Construction contracts	$ -	$ 2,261
Service contracts	68,174	98,446
Long-term leases	7,136	6,690
Grants	442	1,245
	$ 75,752	$ 108,642

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Capital Construction Contracts	Service Contracts	Leases	Grants	Totals
2006	$ -	$ 30,188	$ 3,452	$ 442	$ 34,082
2007	-	12,516	2,319	-	14,835
2008	-	17,069	1,102	-	18,171
2009	-	8,401	263	-	8,664
2010	-	-	-	-	-
Thereafter	-	-	-	-	-
	$ -	$ 68,174	$ 7,136	$ 442	$ 75,752

Note 7 Contingent Liabilities

At March 31, 2005, the Ministry is a defendant in twenty-one legal claims (2004 - twenty-seven legal claims). Eighteen of these claims have specified amounts totalling $10,639,532 and the remaining three have no specified amounts (2004 - twenty-six claims with specified amounts of $10,680,172 and one with no specified amount). Included in the total legal claims are six claims totalling $10,628,372 and one claim with no specified amount (2004 - seven claims totalling $10,627,455 and one claim with no specified amount) in which the Ministry has been jointly named with other entities. Twelve claims totalling $11,128 are covered by the Alberta Risk Management Fund (2004 - sixteen legal claims totalling $32,535).

The resulting loss, if any, from these claims cannot be determined.

The Ministry is actively involved in various legal actions to recover amounts spent on fighting forest fires. The outcome of these actions is not determinable at the present time; however, the amounts that may be recovered are potentially significant.

Note 8 Trust Funds Under Administration

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2005 trust funds under administration were as follows:

	2005	2004
General Trust	$ 13,505	$ 12,631
Junior Forest Ranger Program	101	46
	$ 13,606	$ 12,677

General Trust is comprised of the following funds: Geophysical General Trust, Performance Deposit Trust, Forest Act Securities Trust, and Miscellaneous General Trust.

In addition to the above trust funds under administration, the Ministry holds bank guarantees in the form of letters of credit and promissory notes in the amount of $21,775 (2004 - $21,172).

Notes to the Consolidated Financial Statements
Year Ended March 31, 2005
(in thousands)

Note 9 Defined Benefit Plans

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $6,894 for the year ended March 31, 2005 (2004 - $5,781).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 - $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 - $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Managers had a surplus of $9,404 (2003 - $9,312).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 - $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 - $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 11 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Expenses Detailed by Object

Year ended March 31, 2005
(in thousands)

schedule 1

	2005		2004
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	$ 115,874	$ 135,582	$ 130,608
Supplies and Services	70,166	169,143	180,556
Grants	11,898	9,640	8,314
Financial Transactions and Other	52	69	146
Consumption of Inventory	2,600	2,646	2,520
Amortization of Capital Investment	8,033	4,361	4,356
	$ 208,623	$ 321,441	$ 326,500
Statutory			
Valuation Adjustments			
Provision for (Recovery of) Doubtful Accounts	$ 655	$ (77)	$ 48
Provision (Decrease) for Vacation Pay	400	521	613
	$ 1,055	$ 444	$ 661

Related Party Transactions

Year ended March 31, 2005
(in thousands)

schedule 2

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of the consideration agreed upon between the related parties:

	Other Entities	
	2005	2004
Revenues		
Fees and charges	$ 24	$ 40
	$ 24	$ 40
Expenses Directly Incurred		
Other services	$ 11,962	$ 10,334
	$ 11,962	$ 10,334
Capital Assets Transferred	$ 9,917	$ 6,805
Receivable from	$ -	$ -
Payable to	$ 1,435	$ 733

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amount for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Other Entities	
	2005	2004
Expenses - Incurred by Others		
Accommodation	$ 16,517	$ 17,111
Air Transportation	6	-
Legal	1,054	850
	$ 17,577	$ 17,961

Allocated Costs

Year ended March 31, 2005
(in thousands)

schedule 3

Program	Expenses(1)	2005 Expenses-Incurred by Others: Accommodation Costs	2005 Expenses-Incurred by Others: Legal Services	2005 Valuation Adjustments: Vacation Pay	2005 Valuation Adjustments: Doubtful Accounts	2005 Total Expenses	2004 Total Expenses
Wildfire Management	$ 194,532	$ 5,283	$ 169	$ 113	$ (394)	$ 199,703	$ 203,388
Natural Resource and Public Lands Management	107,617	9,968	748	401	316	119,050	124,117
Natural Resources Conservation Board	6,193	366	–	–	–	6,559	5,804
Surface Rights and Land Compensation Board	2,337	183	–	13	–	2,533	2,518
Ministry Support Services	6,697	717	137	(6)	1	7,546	6,933
Environment Statutory Programs	4,065	–	–	–	–	4,065	2,362
	$ 321,441	$ 16,517	$ 1,054	$ 521	$ (77)	$ 339,456	$ 345,122

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

AUDITOR GENERAL
Alberta

Department of Sustainable Resource Development

To the Minister of Sustainable Resource Development

I have audited the statement of financial position of the Department of Sustainable Resource Development as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 20, 2005

Statement of Operations

Year ended March 31, 2005
(in thousands)

	2005		2004
	Budget (Schedule 4)	Actual	Actual
Revenues (Schedules 1 and 2)			
Transfer to the Environmental Protection and Enhancement Fund	$ (53,025)	$ (130,631)	$ (114,331)
Remission of Surplus from the Environmental Protection and Enhancement Fund	42,970	118,734	99,624
Transfers from the Government of Canada	3,258	4,075	3,624
Fees, Permits and Licenses	115,299	188,309	172,117
Investment Income	50	40	40
Other Revenue	3,300	5,403	5,113
	111,852	185,930	166,187
Expenses - Directly Incurred (Note 2b and Schedule 8)			
Votes (Schedules 2, 3 and 5)			
Ministry Support Services	6,875	6,697	6,289
Wildfire Management	62,005	182,532	190,590
Natural Resource and Public Land Management	113,521	107,036	104,407
Natural Resources Conservation Board	6,592	6,192	5,839
Surface Rights and Land Compensation Boards	2,001	2,337	2,350
	190,994	304,794	309,475
Statutory (Schedules 3 and 5)			
Valuation Adjustments			
Provision for (Recovery of) Doubtful Accounts	655	(77)	48
Provision for Vacation Pay	400	521	613
	1,055	444	661
	192,049	305,238	310,136
Gain on Disposal of Tangible Capital Assets	4,000	2,202	656
Net Operating Results	$ (76,197)	$ (117,106)	$ (143,293)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

As at March 31, 2005
(in thousands)

	2005	2004
ASSETS		
Cash	$ 9,417	$ 7,782
Accounts Receivable (Note 3)	75,650	142,425
Loans and Advances	1	7
Inventories	4,998	6,387
Tangible Capital Assets (Note 4)	174,904	160,197
	$ 264,970	$ 316,798
LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 5)	$ 83,883	$ 101,028
Unearned Revenue	30,234	30,475
	114,117	131,503
NET ASSETS		
Net Assets at Beginning of Year	185,295	85,956
Net Operating Results	(117,106)	(143,293)
Net Transfer from General Revenues	82,664	242,632
Net Assets at End of Year	150,853	185,295
	$ 264,970	$ 316,798

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2005
(in thousands)

	2005	2004
Operating Transactions		
Net Operating Results	$ (117,106)	$ (143,293)
Non-cash items included in Net Operating Results		
Amortization	4,198	4,161
Consumption of Inventory	2,646	2,520
Writedown	25	-
Gain on Disposal of Capital Assets	(2,227)	(656)
Valuation Adjustments	444	661
	(112,020)	(136,607)
Decrease in Accounts Receivable	66,852	(76,907)
Decrease in Advances	6	10
Decrease in Accounts Payable and Accrued Liabilities	(17,665)	(8,869)
Increase in Unearned Revenue	(241)	3,834
Cash Applied to Operating Transactions	(63,068)	(218,539)
Capital Transactions		
Acquisition of Capital Assets	(9,126)	(16,425)
Acquisition of Inventory	(1,257)	(1,550)
Disposal of Capital Assets	2,339	702
Transfer of Capital Assets from other Government Entities	(9,917)	(6,805)
Cash Applied to Capital Transactions	(17,961)	(24,078)
Financing Transactions		
Net Transfer from General Revenues	82,664	242,632
Increase in Cash	1,635	15
Cash, Beginning of Year	7,782	7,767
Cash, End of Year	$ 9,417	$ 7,782

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements
Year Ended March 31, 2005
(in thousands)

Note 1 Authority and Purpose

The Department of Sustainable Resource Development (the Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statues of Alberta 2000.

The Department's core businesses are:

Wildfire Management - protects the multiple benefits received from forests within the Forest Protection Area of the province.

Natural Resource and Public Land Management - ensures natural resources and public lands are managed in a sustainable manner.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Sustainable Resource Development, which is part of the Ministry of Sustainable Resource Development (the Ministry) and for which the Minister of Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Environmental Protection and Enhancement Fund and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

The Department transfers all revenue received by the Department that is in excess of the Department's base revenue of $51,482 to the Environmental Protection and Enhancement Fund. The Environmental Protection and Enhancement Fund transfers any equity in excess of $150,000 to Alberta Finance through the Department of Sustainable Resource Development.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues are shown in the Statement of Operations as part of the department's voted appropriation. Dedicated revenues initiatives must be established by an Act or regulation. Each initiative is limited to a specific purpose and time period. Any unexpected balance in the initiative at year-end is recorded as unearned revenue and used in the subsequent year to support additional spending. Shortfalls are treated as expenses in the current year. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount

sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses of the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay and guarantees.

Incurred by Others

Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other tangible capital assets is $5 (2004 - $15). All land is capitalized.

Liabilities

Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Assets

Net assets represents the difference between the carrying value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practical within constraints of timelines or cost to estimate the fair value with sufficient reliability.

Note 3 Accounts Receivable

	2005			2004
	Gross Amount	Allowance For Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 81,287	$ 5,837	$ 75,450	$ 141,406
Refund from suppliers	200		200	1,019
	$ 81,487	$ 5,837	$ 75,650	$ 142,425

Accounts receivable are unsecured and interest bearing at various rates.

Note 4 Tangible Capital Assets

	2005				2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General Capital Assets:					
Land	Infinite	$ 117,180	$ -	$ 117,180	$ 107,270
Buildings	40 years	30,215	14,248	15,967	14,777
Equipment	3-10 years	30,989	8,588	22,401	17,829
Computer Hardware and Software	5-10 years	15,902	8,532	7,370	6,512
Other	5-24 years	18,538	12,977	5,561	6,310
Infrastructure Assets:					
Land Improvements	15-40 years	44,237	38,978	5,259	6,203
Highways and Roads	20-40 years	5,976	4,886	1,090	1,215
Dam and Water Management Structures	20 years	97	21	76	81
		$ 263,134	$ 88,230	$ 174,904	$ 160,197

Land includes land acquired for building sites, infrastructure and other program use.

Equipment includes office, laboratory, vehicles, heavy, mobile, and fire protection equipment.

Highways and roads consist of original pavement, roadbed, drainage works and traffic control devices.

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Changes to tangible capital assets were as follows:

	2005	2004
Net Book Value at Beginning of Year	$ 160,197	$ 141,174
Tangible Capital Assets Purchased	9,126	16,425
Disposals and Write Downs	(138)	(46)
Transfer from other Government Entities	9,917	6,805
Amortization of Tangible Capital Assets	(4,198)	(4,161)
Net Book Value at End of Year	$ 174,904	$ 160,197

Note 5 Accounts Payable and Accrued Liabilities

	2005	2004
Payable to Environmental Protection and Enhancement Fund	$ 56,978	$ 74,769
Accrued Liabilities	9,826	10,903
Accounts Payable General	5,609	4,407
Vacation Pay	11,470	10,949
	$ 83,883	$ 101,028

Note 6 Contractual Obligations

	2005	2004
Capital Construction contracts	$ -	$ 2,261
Service contracts	11,097	25,134
Long-term leases	6,033	5,520
Grants	442	1,245
	$ 17,572	$ 34,160

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Capital Construction Contracts	Service Contracts	Leases	Grants	Totals
2006	$ -	$ 7,534	$ 2,870	$ 442	$ 10,846
2007	-	2,121	1,992	-	4,113
2008	-	1,431	934	-	2,365
2009	-	11	237	-	248
2010	-	-	-	-	-
Thereafter	-	-	-	-	-
	$ -	$ 11,097	$ 6,033	$ 442	$ 17,572

Note 7 Contingent Liabilities

At March 31, 2005, the Department is a defendant in twenty-one legal claims (2004 – twenty-seven legal claims). Eighteen of these claims have specified amounts totalling $10,639,532 and the remaining three have no specified amounts (2004 – twenty-six claims with specified amounts of $10,680,172 and one with no specified amount). Included in the total legal claims are six claims totalling $10,628,372 and one claim with no specified amount (2004 – seven claims totalling $10,627,455 and one claim with no specified amount) in which the Department has been jointly named with other entities. Twelve claims totalling $11,128 are covered by the Alberta Risk Management Fund (2004 – sixteen legal claims totalling $32,535).

The resulting loss, if any, from these claims cannot be determined.

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Note 9 Defined Benefit Plans

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Note 10 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 11 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Revenues

Year ended March 31, 2005
(in thousands)

schedule 1

	2004		2003
	Budget	Actual	Actual
Internal Government Transfers			
Allocation of Revenue to Environmental Protection and Enhancement Fund	$ (53,025)	$ (130,631)	$ (114,331)
Remission of Surplus from the Environmental Protection and Enhancement Fund	42,970	118,734	99,624
	(10,055)	(11,897)	(14,707)
Transfers from the Government of Canada			
Various	3,258	4,075	3,624
Investment Income	50	40	40
Fees, Permits and Licenses			
Timber Royalties and Fees	64,432	129,854	116,131
Land and Grazing	43,500	50,925	48,689
Other	7,367	7,530	7,297
	115,299	188,309	172,117
Other Revenue			
Refunds of Expenditure	3,300	2,291	974
Other	-	3,112	4,139
	3,300	5,403	5,113
	$ 111,852	$ 185,930	$ 166,187

Dedicated Revenue Initiatives

Year ended March 31, 2005
(in thousands)

schedule 2

	2005		
	Authorized Dedicated Revenue	Actual Dedicated Revenues	(Shortfall)/ Excess
Hinton Training Centre	$ 100	$ 189	$ 89
Smoky Lake Tree Improvement Centre	100	123	23
Spatial Data Warehouse	1,450	1,497	47
Public Lands	14,450	13,360	(1,090)
Fish and Wildlife	700	622	(78)
	$ 16,800	$ 15,791	$ (1,009)

(1) Shortfall is deducted from current years authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

The Hinton Training Centre dedicated revenue initiative was established for the purpose of collecting revenue for room and board, for classroom utilization, and the sale of interactive fire compact discs for national and international studies.

The Smoky Lake Tree Improvement Centre dedicated revenue initiative accounts for the project funding received from the Manning Diversified Research Trust Fund for the work performed by the Alberta Tree Improvement and Seed Centre for scientific research, genetic resource conservation, and technology transfer for regional forest improvement in the Peace Region.

The Spatial Data Warehouse dedicated revenue initiative was established for the purpose of updating the cadastral base maps and the management and distribution of them. The source of this dedicated revenue is a filing fee for each survey plan filed at the Land Titles Office.

Public Lands dedicated revenues, from the collection of fees for various dispositions (such as grazing, surface, etc.), were established pursuant to the *Public Lands Act* to deliver Public Lands services related to the day-to-day management and administering of decisions regarding planning for public lands allocated to agricultural use.

The Fish and Wildlife dedicated revenue initiative promotes industry stewardship and investment in the provincial resource and fosters improved industry relationship with other stakeholders.

Note: The dedicated revenues presented in this schedule are included in the Department's Statement of Operations.

Expenses - Directly Incurred Detailed by Object

Year ended March 31, 2005
(in thousands)

schedule 3

	2005		2004
	Budget	Actual	Actual
Voted			
Salaries, Wages and Employee Benefits	$ 109,748	$ 108,091	$ 98,820
Supplies and Services	57,126	48,215	45,060
Grants	13,485	141,575	158,845
Financial Transactions and Other	52	69	69
Consumption of Inventory	2,600	2,646	2,520
Amortization of Capital Assets	7,983	4,198	4,161
	$ 190,994	$ 304,794	$ 309,475
Statutory			
Valuation Adjustments			
Provision for (Recovery of) Doubtful Accounts	655	(77)	48
Provision (Decrease) for Vacation Pay	400	521	613
	$ 1,055	$ 444	$ 661

Budget

Year ended March 31, 2005
(in thousands)

schedule 4

	2004-2005 Estimates	Adjustment (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget
Revenues: (Schedules 1 and 2)					
Transfer to the Environmental Protection and Enhancement Fund	$ (53,025)	-	$ (53,025)	-	$ (53,025)
Remission of Surplus from the Environment Protection and Enhancement Fund	42,970	-	42,970	-	42,970
Transfers from the Government of Canada	3,258	-	3,258	-	3,258
Fees, Permits and Licenses	115,299	-	115,299	-	115,299
Investment Income	50	-	50	-	50
Other Revenue	3,300	-	3,300	-	3,300
	111,852	-	111,852	-	111,852
Expenses - Directly Incurred:					
Voted Operating Expenses					
Ministry Support Services	6,875	-	6,875	-	6,875
Wildfire Management	62,005	-	62,005	124,000	186,005
Natural Resources and Public Land Management	113,521	-	113,521	400	113,921
Natural Resources Conservation Board	6,592	-	6,592	-	6,592
Surface Rights and Land Compensation Boards	2,001	-	2,001	-	2,001
Dedicated Revenue Shortfall (Schedule 2)	-	(1,009)	(1,009)	-	(1,009)
	190,994	(1,009)	189,985	124,400	314,385
Statutory Expenses					
Valuation Adjustments and Other Provisions					
Provision for Doubtful Accounts	655	-	655	-	655
Provision for Vacation Pay	400	-	400	-	400
	1,055	-	1,055	-	1,055
Total Expenses	192,049	(1,009)	191,040	124,400	315,440
(Gain) Loss on Disposal of Tangible Capital Assets	4,000	-	4,000	-	4,000
Net Operating Results	$ (76,197)	$ 1,009	$ (75,188)	$ (124,400)	$ (199,588)
Equipment / Inventory Purchases	$ 7,547	$ -	$ 7,547	$ -	$ 7,547
Capital Investment	$ 3,200	$ -	$ 3,200	$ 2,333	$ 5,533

(a) Adjustments include encumbrances and dedicated revenue shortfalls. In the event that actual voted Operating/Equipment Inventory Purchases and Capital Investment in the prior year exceed that authorized, the difference is known as an encumbrance. The encumbrance reduces the budget amount voted in the current year.

(b) Supplementary Estimates were approved on March 24, 2005. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

Comparison of Expenses - Directly Incurred, Equipment Inventory Purchases and Capital Investment and Statutory Expenses by Element to Authorized Budget

Year ended March 31, 2005
(in thousands)

schedule 5

	2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary(b)	2004-2005 Authorized Budget	2004-2005 Actual (c)	Unexpended (Over Expended)
Voted Operating/Equipment Inventory Purchases and Capital Investments							
Ministry Support Services							
1.0.1 Minister's Office	$ 373	$ -	$ 373	$ -	$ 373	$ 373	$ -
1.0.2 Deputy Minister's Office	416	-	416	-	416	394	22
1.0.3 Communications	864	-	864	-	864	815	49
1.0.4 Human Resources	607	-	607	-	607	719	(112)
1.0.5 Strategic Corporate Services							
- Operating Expense	4,578	-	4,578	-	4,578	4,362	216
- Equipment/Inventory Purchases	100	-	100	-	100	94	6
1.0.6 Amortization of Tangible Capital Assets	37	-	37	-	37	34	3
	6,975	-	6,975	-	6,975	6,791	184
Wildfire Management							
2.0.1 Organizational Framework							
- Operating Expense	38,126	-	38,126	-	38,126	36,816	1,310
- Equipment/Inventory Purchases	2,793	-	2,793	-	2,793	2,058	735
- Capital Investment	3,200	-	3,200	2,333	5,533	4,416	1,117
2.0.2 Wildfire Prevention Planning and Operations	2,200	-	2,200	-	2,200	2,201	(1)
2.0.3 Wildfire Operations							
- Operating Expense	14,588	-	14,588	124,000	138,588	138,543	45
- Equipment/Inventory Purchases	1,389	-	1,389	-	1,389	1,615	(226)
2.0.4 Amortization of Capital Assets	7,091	-	7,091	-	7,091	4,972	2,119
	69,387	-	69,387	126,333	195,720	190,621	5,099
Natural Resource and Public Land Management							
3.0.1 Fish and Wildlife							
- Operating Expense	40,199	-	40,199	400	40,599	41,079	(480)
- Equipment / Inventory Purchases	750	-	750	-	750	915	(165)
3.0.2 Public Lands and Forests							
- Operating Expense	61,711	-	61,711	-	61,711	60,164	1,547
- Equipment/Inventory Purchases	2,515	-	2,515	-	2,515	1,238	1,277
3.0.3 Strategic Forestry Initiatives							
- Operating Expense	4,156	-	4,156	-	4,156	3,955	201
- Equipment Inventory Purchases	-	-	-	-	-	46	(46)
3.0.4 Amortization of Capital Assets	3,455	-	3,455	-	3,455	1,838	1,617
3.0.5 Nominal Sum Disposals	4,000	-	4,000	-	4,000	-	4,000
	116,786	-	116,786	400	117,186	109,235	7,951

Comparison of Expenses - Directly Incurred, Equipment Inventory Purchases and Capital Investment and Statutory Expenses by Element to Authorized Budget

Year ended March 31, 2005
(in thousands)

schedule 5

	2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary(b)	2004-2005 Authorized Budget	2004-2005 Actual (c)	Unexpended (Over Expended)
Voted OP/EIP and Capital Investments							
Natural Resources Conservation Board							
4.0.1 Natural Resources Conservation Board	6,592	-	6,592	-	6,592	6,192	400
	6,592	-	6,592	-	6,592	6,192	400
Surface Rights and Land Compensation Boards							
5.0.1 Surface Rights and Land Compensation Boards	2,001	-	2,001	-	2,001	2,337	(336)
	2,001	-	2,001	-	2,001	2,337	(336)
Dedicated Revenue Shortfall	-	(1,009)	(1,009)	-	(1,009)	-	(1,009)
	201,741	(1,009)	200,732	126,733	327,465	315,176	12,289
Operating Expense	$ 190,994	$ (1,009)	$ 189,985	$ 124,400	$ 314,385	$ 304,794	$ 9,591
Equipment / Inventory Purchases	7,547	-	7,547	-	7,547	5,966	1,581
	198,541	(1,009)	197,532	124,400	321,932	310,760	11,172
Capital Investment	3,200	-	3,200	2,333	5,533	4,416	1,117
	$ 201,741	$ (1,009)	$ 200,732	$ 126,733	$ 327,465	$ 315,176	$ 12,289
Statutory Expenses:							
Valuation Adjustments	$ 1,055	$ -	$ 1,055	$ -	$ 1,055	$ 444	$ 611

(a) Adjustments include encumbrances and dedicated revenue shortfalls. In the event that actual OP/EIP and Capital Investment in the prior year exceeded that authorized, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount for voted OP/EIP and Capital investment in the current year.

(b) Supplementary Estimates were approved on March 24, 2005. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(c) Includes achievement bonus amounting to $1,424.

Salary and Benefits Disclosure

Year ended March 31, 2005

schedule 6

	2005				2004
	Base Salary(1)	Other Cash Benefits(2)	Other Non-Cash Benefits(3)	Total	Total
Deputy Minister(4)(6)	$ 163,821	$ 30,849	$ 33,889	$ 228,559	$ 218,234
Assistant Deputy Ministers					
Fish and Wildlife	123,372	17,229	24,325	164,926	161,775
Forest Protection(5)	142,044	29,031	5,085	176,160	173,619
Public Lands Management	129,216	17,904	25,251	172,371	166,970
Strategic Forestry Initiatives	153,264	18,464	5,159	176,887	178,684
Strategic Corporate Services	128,316	16,976	24,440	169,732	170,178
Executive Directors					
Policy and Planning	97,284	13,425	19,992	130,701	115,398
Regional Office NorthWest	106,377	15,069	21,391	142,837	131,870
Regional Office NorthEast	103,314	13,736	20,489	137,539	137,344
Regional Office SouthWest(5)(6)	95,628	16,920	19,872	132,420	133,362
Regional Office SouthEast(5)	104,847	21,579	20,551	146,977	132,178
Director, Human Resources Service	89,655	12,612	18,449	120,716	113,393

Total salary and benefits relating to a position are disclosed.

(1) Salary includes regular base pay.

(2) Other cash benefits include bonuses, vacation payments, and lump sum payments.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in cash or non-cash benefits.

(5) Benefits and allowances include vacation payments to the Assistant Deputy Minister, Forest Protection, $10,567 and two Regional Executive Directors, $8,608.

(6) The position was occupied by two individuals through the year.

Related Party Transactions

Year ended March 31, 2005
(in thousands)

schedule 7

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Revenues				
Grants	$ 118,734	$ 99,624	$ -	$ -
Fees and charges	-	-	14	13
	$ 118,734	$ 99,624	$ 14	$ 13
Expenses - Directly Incurred				
Grants	$ 136,013	$ 153,917	$ -	$ -
Other services	-	-	7,874	4,459
	$ 136,013	$ 153,917	$ 7,874	$ 4,459
Tangible Capital Assets Transferred	$ -	$ -	$ 9,917	$ 6,805
Receivable from	$ 52,856	$ 100,533	$ -	$ -
Payable to	$ 56,978	$ 74,769	$ -	$ -

The Department also had the following transactions with related parties for which no consideration was exchanged. The amount for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Expenses - Incurred by Others				
Accommodation	$ -	$ -	$ 16,150	$ 16,875
Air Transportation	-	-	6	-
Legal	-	-	1,054	850
	$ -	$ -	$ 17,210	$ 17,725

Allocated Costs

Year ended March 31, 2005
(in thousands)

schedule 8

Program	2005 Expenses(1)	Expenses-Incurred by Others: Accommodation Costs	Expenses-Incurred by Others: Legal Services	Valuation Adjustments: Vacation Pay	Valuation Adjustments: Doubtful Accounts	2005 Expenses	2004 Expenses
Ministry Support Services	$ 6,697	$ 717	$ 137	$ (6)	$ 1	$ 7,546	$ 6,933
Wildfire Management	182,532	5,282	169	113	(394)	187,702	193,024
Natural Resources and Public Lands Management	107,036	9,968	748	401	316	118,469	119,547
Natural Resources Conservation Board	6,192	-	-	-	-	6,192	5,839
Surface Rights and Land Compensation Board	2,337	183	-	13	-	2,533	2,518
	$ 304,794	$ 16,150	$ 1,054	$ 521	$ (77)	$ 322,442	$ 327,861

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

AUDITOR GENERAL
Alberta

Environmental Protection and Enhancement Fund

To the Minister of Sustainable Resource Development

I have audited the statement of financial position of the Environmental Protection and Enhancement Fund as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 20, 2005

Statement of Operations

Year ended March 31, 2005
(in thousands)

	2005		2004
	Budget (Note 10)	Actual	Actual
Revenues			
Transfer from Department of Sustainable Resource Development (Note 8)	$ 69,813	$ 260,452	$ 262,409
Investment Income	4,800	2,664	2,616
Other Revenue	2,730	2,084	1,084
	77,343	265,200	266,109
Expenses			
Environment Statutory Programs	5,005	4,065	2,362
Natural Resources Emergency Program			
Forest Fires	28,788	140,857	162,428
Forest Health Program	500	1,464	504
Intercept Feeding and Fencing	80	80	80
	34,373	146,466	165,374
Net Operating Results	$ 42,970	$ 118,734	$ 100,735

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

As at March 31, 2005
(in thousands)

	2005	2004
ASSETS		
Cash (Note 3)	$ 154,494	$ 184,477
Accounts Receivable (Note 4)	56,998	74,836
	211,492	259,313
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 56,830	102,950
Unearned Revenues	4,662	6,363
	61,492	109,313
NET ASSETS		
Net Assets at Beginning of Year	150,000	148,889
Net Operating Results	118,734	100,735
Transfer to Department of Sustainable Resource Development	(118,734)	(99,624)
Net Assets at End of Year (Note 7)	150,000	150,000
	$ 211,492	$ 259,313

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2005
(in thousands)

	2005	2004
Operating Transactions		
Net Operating Results	$ 118,734	$ 100,735
Decrease in Accounts Receivable	17,838	8,789
Increase (Decrease) Accounts Payable and Accrued Liabilities	(46,120)	78,258
Decrease in Unearned Revenue	(1,701)	(243)
Cash Provided by Operating Transactions	88,751	187,539
Financing Transactions		
Transfer to Department of Sustainable Resource Development	(118,734)	(99,624)
Cash Applied to Financing Transactions	(118,734)	(99,624)
Increase (Decrease) in Cash	(29,983)	87,915
Cash, Beginning of Year	184,477	96,562
Cash, End of Year	$ 154,494	$ 184,477

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements

Year ended March 31, 2005
(in thousands)

Note 1 Authority and Purpose

The Environmental Protection and Enhancement Fund (the Fund) operates under the authority of the *Environmental Protection and Enhancement Act* (EPEA), Chapter E-12, Revised Statues of Alberta 2000.

The Fund is comprised of the following components:

Land Reclamation

Natural Resources Emergency Program

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Sustainable Resource Development (the Ministry). The Minister of Sustainable Resource Development is accountable for the Fund's financial administration. Other entities reporting to the Minister are the Department of Sustainable Resource Development and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Expenses represent the costs of resources consumed during the year on the Fund's operations.

Liabilities

Liabilities represent all financial claims payable by the Fund at fiscal year end.

Net Assets

Net assets represents the difference between the carrying value of assets held by the Fund and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

Note 3 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital.

The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by the Fund have an effective market yield of 2.79% per annum (March 31, 2004, 2.11% per annum).

Note 4 Accounts Receivable

	2005	2004
Department of Sustainable Resource Development	$ 56,978	$ 74,769
Other	20	67
	$ 56,998	$ 74,836

Note 5 Contractual Obligations

	2005	2004
Service contracts	$ 57,077	$ 73,312
Long-term leases	1,103	1,170
	$ 58,180	$ 74,482

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Long-term Leases	Total
2006	$ 22,654	$ 582	$ 23,236
2007	10,395	327	10,722
2008	15,638	168	15,806
2009	8,390	26	8,416
	$ 57,077	$ 1,103	$ 58,180

Note 6 Contingent Liabilities

In 2001, Smoky River Coal Ltd. (SRCL) declared bankruptcy. As a result, the Fund cashed the $7,136 letter of credit that SRCL had provided to the Department of Sustainable Resource Development. The letter of credit was intended to cover reclamation work in the event that SRCL was unable to perform the work itself.

Issues such as determining the level of site reclamation required, determining shared responsibility with related parties, and the assumption of some of the reclamation work by subsequent operators of the site need to be resolved. As a result, an estimate of the costs of SRCL site reclamation for which the Fund is contingently liable cannot be made at this time.

Note 7 Net Assets

The Net Assets for the Fund are capped at $150,000 as per a Treasury Board decision.

Note 8 Transfer from the Department

The following revenue was received or is receivable from the Department of Sustainable Resource Development:

	2005	2004
Revenue in excess of Department's Base Revenue (a)	$ 130,631	$ 114,331
Fire Fighting Grant Revenue	4,857	20,278
Supplementary Estimate:		
Mountain Pine Beetle	964	-
Forest Fires	124,000	127,800
	$ 260,452	$ 262,409

(a) All revenue received by the Department that is in excess of the Department's base revenue of $51,482 (2004 - $51,482).

Note 9 Salary and Benefits Disclosure

The Province's salary and benefit disclosure requirements for the Executives are disclosed in the financial statements of the Department of Sustainable Resource Development.

Note 10 Budget Figures

The revenue and expenditure budget amounts disclosed in these financial statements agree with the 2004-2005 Government Estimates.

Note 11 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to the Financial Statements
Expense Detailed by Object

Year ended March 31, 2005
(in thousands)

schedule 1

	2005		2004
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	$ 3,163	$ 22,985	$ 27,739
Supplies and Services	26,155	119,404	134,249
Grants	5,055	4,077	3,386
	$ 34,373	$ 146,466	$ 165,374

Related Party Transactions

Year ended March 31, 2005
(in thousands)

schedule 2

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Fund.

The Fund had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Revenues				
Transfer from Department of Sustainable Resource Development	$ 130,631	$ 114,331	$ -	$ -
Grants from Department of Sustainable Resource Development	129,821	148,078	-	-
	$ 260,452	$ 262,409	$ -	$ -
Expenses - Directly Incurred				
Other services	-	-	4,088	5,875
Receivable from	$ 56,978	$ 74,769	$ -	$ -
Payable to	$ 52,856	$ 100,533	$ 1,435	$ 733

AUDITOR GENERAL *Alberta*

Natural Resources Conservation Board

To the Members of the Natural Resources Conservation Board

I have audited the statement of financial position of the Natural Resources Conservation Board as at March 31, 2005 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 11, 2005

Statement of Operations

For the Year ended March 31, 2005

	2005		2004
	Budget	Actual	Actual
Revenues			
Transfer from the Department of Sustainable Resource Development	$ 6,592,000	$ 6,192,000	$ 5,839,000
Interest	10,000	94,660	87,791
Other	1,000	30,780	14,733
	6,603,000	6,317,440	5,941,524
Expenses			
Salaries and employee benefits	4,558,250	4,398,724	3,978,367
Travel and automobile	745,600	555,637	495,214
Transcripts and office	353,360	457,519	352,834
Consulting and professional fees	593,890	384,670	344,272
Amortization of capital assets	50,000	162,638	195,174
Technical proficiency and training	141,750	107,407	70,887
Telecommunications	114,400	89,929	89,427
Advertising and communications	41,750	19,803	25,689
Hearing room rent	23,000	8,565	9,377
Postage, freight and courier	14,000	8,297	6,915
	6,636,000	6,193,189	5,568,156
Net Operating Results	$ (33,000)	$ 124,251	$ 373,368

The accompanying notes and schedule of allocated costs are part of these financial statements.

Statement of Financial Position

As at March 31, 2005

	2005	2004
ASSETS		
Cash (Note 3)	$ 1,656,840	$ 1,284,405
Prepaid Expenses	17,903	37,958
Current Assets	1,674,743	1,322,363
Capital Assets (Note 4)	206,440	369,078
	$ 1,881,183	$ 1,691,441
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Liabilities	$ 617,455	$ 551,964
Net Assets at Beginning of Year	1,139,477	766,109
Net Operating Results	124,251	373,368
Net Assets at End of Year	1,263,728	1,139,477
	$ 1,881,183	$ 1,691,441

The accompanying notes and schedule of allocated costs are part of these financial statements.

Statement of Cash Flows

For the Year ended March 31, 2005

	2005	2004
Cash provided by:		
Operating activities		
Net Operating Results	$ 124,251	$ 373,368
Non-cash expense:		
Amortization of Capital Assets	162,638	195,174
	286,889	568,542
Changes in operating non-cash working capital		
Prepaid Expenses	20,055	18,698
Accounts Payable and Accrued Liabilities	65,491	188,827
	372,435	776,067
Investing activities		
Proceeds from sale of capital assets	-	500
Acquisition of capital assets	-	(59,725)
	-	(59,225)
Net increase in cash during the year	372,435	716,842
Cash, Beginning of year	1,284,405	567,563
Cash, End of year	$ 1,656,840	$ 1,284,405

The accompanying notes and schedule of allocated costs are part of these financial statements.

Note 1 Authority and Purpose

The Natural Resources Conservation Board (the "NRCB") operates under the authority of the *Natural Resources Conservation Board Act*, Chapter N-3, RSA 2000 ("NRCBA"). The NRCB provides for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta. Included in this mandate are reviewable projects described in the NRCBA as well as the regulatory responsibilities set out in Part 2 of the *Agricultural Operation Practices Act* (Chapter A-7, RSA 2000) for the approval, monitoring and compliance of livestock confined feeding operations.

Note 2 Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Capital Assets

Capital assets are recorded at cost. These assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer hardware	–	33 1/3% straight line
Computer software	–	100% straight line
Office equipment	–	20% declining balance
Office furniture	–	20% declining balance

(b) Pension Expense

Multi-employer pension plans

Multi-employer defined benefit plans are accounted for as defined contribution plans.

(c) Revenue Recognition

Operating transfers are recorded as revenue in the years for which they are approved.

(d) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of cash, accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed by the Province of Alberta to provide interest income at competitive rates to depositors while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. The average effective yield for fiscal 2005 was 2.79% (2004: 2.11%).

Note 4 Capital Assets

Capital assets are recorded at cost less accumulated amortization.

	2005			2004
	Cost	Accumulated Amortization	Net	Net
Computer hardware	$ 402,798	$ 349,219	$ 53,579	$ 170,121
Computer software	35,890	35,890	-	11,829
Office equipment	56,905	25,200	31,705	38,790
Office furniture	293,802	172,646	121,156	148,338
	$ 789,395	$ 582,955	$ 206,440	$ 369,078

Note 5 Pension

The NRCB participates in the Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers which are government multi-employer pension plans. The expense for these pension plans is a total of $96,891 for the year ended March 31, 2005 (2004: $85,501).

In addition, the NRCB sponsors a defined contribution pension plan for employees who are not eligible to participate in the government sponsored pension plans. The expense for this pension plan is $184,258 for the year ended March 31, 2005 (2004: $172,571). Pension expense comprises the cost of employer contributions for the current service of employees during the year.

Note 6 Salaries and Benefits

	2005				2004
	Base Salary[a]	Other Cash Benefits[b]	Other Non-Cash Benefits[c]	Total	Total
Chair[d]	$ 140,808	$ 36,211	$ 20,042	$ 197,061	$ 203,430
Board Member 1	113,439	8,306	31,570	153,315	154,311
Board Member 2	113,439	10,782	25,157	149,378	150,578
Board Member 3	113,439	9,687	24,525	147,651	148,630
Board Member 4	113,439	10,424	22,032	145,895	39,127
Board Member 5	113,439	8,307	22,734	144,480	144,064
Board Member 6[e]	-	-	-	-	17,590

(a) Base salary includes regular base pay.

(b) Other cash benefits include bonuses, benefits and vacation payouts.

(c) Other non-cash benefits include the NRCB's share of all employee benefits and contributions or payments made on behalf of Board Members including pension, health benefits, professional memberships and WCB premiums. The NRCB is a participant in the Alberta Energy and Utilities Board ("EUB") flexible health benefit plan.

(d) Automobile provided, no dollar amount included in these figures.

(e) Appointed as Chair on December 10, 2003 by Order in Council, O.C. 547/2003.

Note 7 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements.

The NRCB received $6,192,000 (2004: $5,839,000) in net transfers from the Department of Sustainable Resource Development and $95,441 (2004: $87,791) in revenue from other Government of Alberta departments. During the year, the NRCB paid $57,164 (2004: $60,644) to various Government of Alberta departments and agencies for supplies and/or services. The Statement of Financial Position also includes $2,913 (2004: $4,449) as payable to various government entities.

In addition, the NRCB entered into the following transactions which are not reflected in the Statement of Operations:

Certain expenses for office space incurred on behalf of the NRCB by Alberta Infrastructure. These expenses amount to approximately $365,990 (2004: $236,391) and are reflected in the Schedule of Allocated Costs.

The NRCB has a Memorandum of Understanding ("MOU") with the EUB to share resources on an ongoing basis. Under the MOU, the NRCB is both a service provider and a service recipient. As a service provider, the NRCB contributed $5,218 (2004: $32,114) in shared services to the EUB. As a service recipient, the NRCB received contributed services from the EUB of $10,258 (2004: $26,719).

Certain office equipment is provided by Alberta Agriculture Food and Rural Development for the NRCB's use.

Note 8 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 9 Approval of Financial Statements

These financial statements were approved by the Board on June 27, 2005.

Notes to the Financial Statements
Schedule of Allocated Costs

March 31, 2005

Projects	2005 Expenses	2005 Expenses incurred by others: Office Costs(1)	2005 Expenses incurred by others: Shared Services(1)	2005 Total Expenses	2004 Total Expenses
Confined Feeding Operations					
• Compliance	$ 2,360,434	$ 139,491	$ 3,721	$ 2,503,646	$ 2,160,739
• Applications	2,115,561	125,020	3,721	2,244,302	2,069,485
• Reviews	1,339,469	79,157	1,551	1,420,177	1,162,918
Agrium	176,186	10,412	1,265	187,863	289,362
Birch Mountain	115,566	6,830	-	122,396	7,194
Other NRCB Business (2)	70,409	4,160	-	74,569	92,172
EUB (3)	6,400	378	-	6,778	40,652
Glacier	5,347	316	-	5,663	-
Highwood Storage	3,817	226	-	4,043	8,744
	$ 6,193,189	$ 365,990	$ 10,258	$ 6,569,437	$ 5,831,266

(1) See Note 7, Related Party Transactions

(2) Other NRCB Business comprises expenses related to past and potential projects, research, external meetings and professional development.

(3) EUB includes a portion of the NRCB's indirect overhead costs. The shared services contribution of $5,218 (2004: $32,114) to the EUB shown in Note 7 reflects only direct costs.

Statement of Remissions, Compromises and Write-Offs

For the Year ended March 31, 2005

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Remissions under Section 21 of the *Financial Administration Act*:		$ 15,845.97
Compromises under Setion 22 of the *Financial Administration Act*:		53,346,400.92
Write-offs:		
Departmental Accounts Receivable	12,938.18	
Departmental Accounts Payable Credits	0.00	
Total write-offs		12,938.18
Total remissions, compromises and write-offs		$ 53,375,185.07

Alphabetical List of Government Entities' Financial Statements In Ministry 2004-05 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation[1]	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Seniors and Community Supports

Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta[1]	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming

[1] The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

Ministry of Advanced Education[2]	Advanced Education
Ministry of Aboriginal Affairs and Northern Development[2]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[2]	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environment[2]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[2]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[2]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[2]	Human Resources and Employment
Ministry of Infrastructure and Transportation[2]	Infrastructure and Transportation
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[2]	International and Intergovernmental Relations
Ministry of Justice[2]	Justice
Ministry of Municipal Affairs[2]	Municipal Affairs
Ministry of Restructuring and Government Efficiency[2]	Restructuring and Government Efficiency
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards: Calgary Region Community Board Central Region Community Board Edmonton Region Community Board Northeast Region Community Board Northwest Region Community Board South Region Community Board	Seniors and Community Supports

[2] Ministry includes only the departments so separate department financial statements are not necessary.

Persons with Developmental Disabilities Provincial Board	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Post Secondary Institutions	Advance Education
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment